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BRITAIN
Pros and cons of televising courts
Page 12

World News

Alfonsín to resign early to make way for Menem

Argentine President Raul Alfonsín said he was prepared to make an early handover of power to president-elect Carlos Menem. Page 6.

Indian N-test

India has launched a long-range guided missile successfully after two abortive tests, raising concern at the country's capability to launch nuclear warheads. Page 24

Solidarity campaign

Leaders of Solidarity, the Polish trade union, urged supporters to use next month's elections to vote for party officials who took part in talks on legalising the union. Page 2

German N-move

West German Government conceded more ground in the dispute within Nato over modernising short-range nuclear weapons. Page 2; UK reaction, Page 3

Recruit charges

Two senior Japanese politicians involved in the Recruit scandal were indicted on charges of taking bribes from Recruit, the telecommunications company at the centre of the affair. Page 24

Cossiga opens talks

President Francesco Cossiga of Italy has begun negotiations to form a new government following the resignation of Prime Minister Ciriaco De Mita. Page 3

Social contract bid

Portuguese unions want a new social contract because of damage to wages caused by the worst inflation figures for three years. Page 2

Antarctic park

Australian Government has decided not to sign the Antarctic Minerals Convention and is to press instead for the creation of an Antarctic wilderness park. Page 4

Coalition rejected

Communist Party in Greece rejected the possibility of a coalition with the ruling Socialist Party while Prime Minister Andreas Papandreou remained its leader. Page 3

Indonesian capsize

Thirty people were killed and more than 120 are missing after their ship capsized in rough seas off the Indonesian resort island of Bali.

Gurkha force cut

Britain is to cut its famed Gurkha army regiment by half, in a surprise move likely to hit the economy of Nepal where the troops are recruited. Page 10

Journalists killed

Two Colombian journalists, kidnapped on Saturday in the southwestern city of Cali, were later found dead having been tortured. Thirty-eight journalists have been killed in the past 12 years in Colombia.

Chile election date

Chile's government proposed postponing the registration date for all political candidates in the December 14 elections. Page 6

Tamil pitch battle

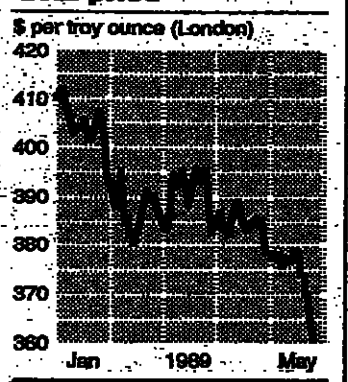
Two rival Tamil separatist groups fought a pitched gun battle in northern Sri Lanka in which more than 50 of their fighters were killed.

Business Summary

Motorola talks fail to reach agreement

Talks between Motorola, the US communications company, and Japan's Ministry of Posts and Telecommunications failed to solve a dispute over radio frequencies that could lead to punitive US tariffs on Japanese exports. Page 24

PRECIOUS METALS prices continued to slide under pressure from the dollar's strength. In London; gold fell by $4.75



to $360.25 a troy ounce, platinum by $5.75 to $492.75 and silver by 20 cents to 514 cents. Page 42

VICKERS, UK engineering group, is selling its Howson Algraphy printing plate business to Du Pont, US chemicals group, for $400m. Page 25

KUMPULAN GUTHRIE, Malaysia's largest plantation group, is to gain a listing on the Kuala Lumpur Stock Exchange through a public equity offer. Page 25

CONTINENTAL, West German tyre maker, announced profits up 40 per cent after adding earnings from General Tire, the US tyre group it purchased in 1987. Page 26

SOUTH KOREA has signed three agreements with the US promising elimination of key export barriers and liberalisation of foreign investment. Effects of trade law on Japan, Page 8

CREDIT LYONNAIS, French bank, announced plans to bid for additional shares in Credito Bergamasco, an Italian bank, taking its total holding to nearly 49 per cent. Page 26

COMPAQ Computer of the US beat rival IBM in the race to launch what is claimed to be the most powerful and expandable desktop personal computer in the world. Page 27

ASAHI CHEMICAL Industry, leading Japanese manufacturer of acrylic fibres, announced an increase in profit to $535.7m. Page 28

RAND MINES of South Africa announced firmer export demand for coal and increased profits. Page 28

AMERADA HESS, US oil and gas company, is paying $911m in cash for gas reserves in the Gulf of Mexico, bought from Transco, the US gas pipeline company. Page 27

BIWATER, private UK water contractor, announced an agreed cash offer of $28m for Bournemouth and District Water Company. Page 35

CIRCLE K, US convenience stores with extensive operations abroad including the UK, has put itself up for sale. Page 26

BOBST, the world's leading producer of machinery for converting cardboard and paper into printed packaging, expects to increase sales to $630m in 1989. Page 26

NOBEL INDUSTRIER, Sweden's largest chemicals and ordnance conglomerate, is negotiating with Philips of the Netherlands to acquire a majority stake in Philips' electronic defence operations in Sweden. Page 26

US voices concern as Group of Seven fails to halt dollar

By Simon Holberton in London and Peter Riddell in Washington

A SURGE in the dollar on foreign exchange markets yesterday prompted the Group of Seven leading industrialised countries to try to convince financial markets that exchange rate co-operation remained intact.

The US currency rose 4 pfennigs and Y3.30, easily breaching DM2 and Y140, in spite of another co-ordinated round of central bank intervention in Europe and heavy intervention by the Bank of Japan earlier in Tokyo.

The dollar's rise has cast doubt on the ability of the G7 and its central banks to preserve currency stability as enshrined in the February 1987 Louvre Accord. G7 ministers are due to meet in Paris at the end of the month and this could provide an opportunity to reaffirm their commitment to stability.

The strength of the dollar, however, lifted US bond prices, which in turn supported stocks. The Dow Jones Industrial Average edged ahead to a post-crash high, closing up 0.92 at 2,502.02 despite some profit-taking.

In Washington, it forced the Bush Administration to reaffirm its support for international economic co-ordination and express its concern over the US currency's sharp rise.

Until now, the Administration has been publicly reticent about the rise in the dollar, believing there is little it can do, especially with the Federal Reserve determined to maintain its interest rate policy for domestic reasons.

In a prepared statement, a White House spokesman said: "The recent rise against other currencies is a matter for concern."

He noted that the latest appreciation "has also prompted questioning of the Administration's commitment to the process of economic policy co-ordination" by the G7 countries, but stressed that "the Administration remains fully committed to this process."

In Europe, however, questions about the G7's unity were fuelled by the inability of the major countries to enforce their will on currency markets.

The pound, which had held up well in the past two weeks, was knocked lower against both the dollar and D-Mark, raising fears of a rise in UK interest rates.

Bank of England intervention failed to stop its sterling index closing 0.8 lower at 93.7 – its lowest level since the Government abandoned its policy of keeping the pound below DM3 in March 1988.

In Bonn, the Finance Ministry denied a report in Der Spiegel, the German news magazine, which said that Germany had stopped co-operating with other G7 countries about currency market intervention to halt the dollar's rise.

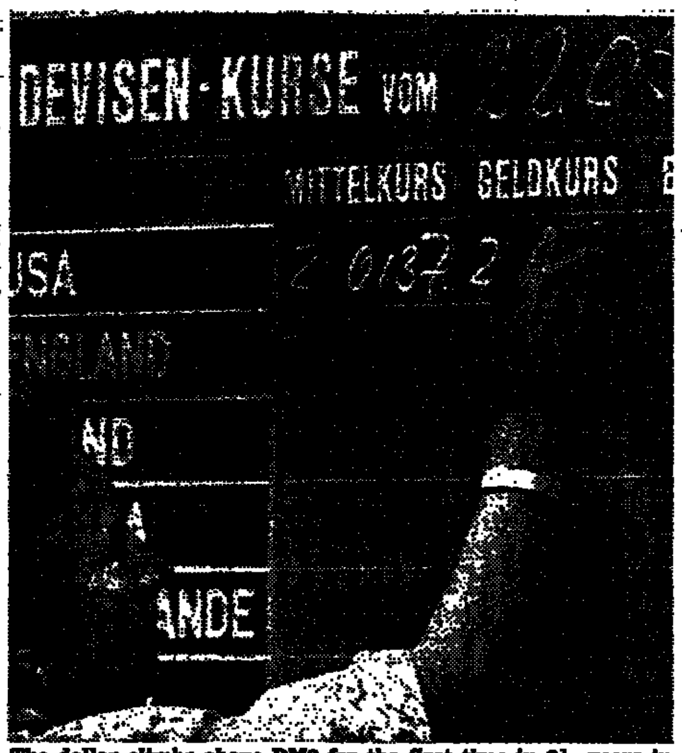
However, Mr Karl Otto Pöhl, president of the Bundesbank, told Le Monde, the French daily, that he doubted the efficacy of currency market intervention to solve problems posed by international balance of payments adjustment.

Mr Pöhl said he would be happier if the D-Mark were stronger but that he was confident the German economy could deal with the problems raised by a stronger dollar.

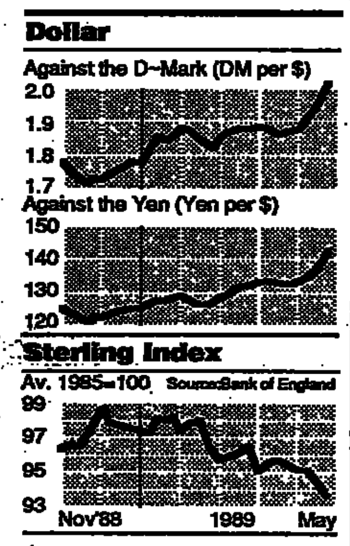
His comments drew a sharp response from some European monetary officials. According to one: "This is the man who accumulated many billions of dollars when the dollar was weak and spent $15bn trying to stop it rising.

"The Louvre Accord is all about co-operation and, in the last resort, it is in everyone's interest to do just that."

Lex, Page 24; Money markets, Page 50; Government bonds, Page 30; London markets, Section II



The dollar climbs above DM2 for the first time in 2½ years in Frankfurt yesterday



China's PM in struggle for political life

By Peter Ellingsen in Peking

CHINA'S Prime Minister was yesterday believed to be battling for his political life after the apparent refusal of some army units to act against tens of thousands of pro-democracy demonstrators still controlling the centre of Peking and the Tienanmen Square.

Li Peng was fighting for his position as Zhao Ziyang, the party secretary general, returned to his office in the Zhongnanhai compound in the city centre from three days' "sick leave" taken in protest at the declaration of martial law. He was said to be marshalling support for a political comeback.

Signs of direct opposition to Li emerged when student demonstrators released copies of a letter allegedly written by Zhang Aiping, former defence minister, and six other senior military officials, opposing the imposition of martial law. Some 100 officers were said to have signed the letter, which was sent to the official People's Daily newspaper.

The Associated Press news agency reported that early today 80 truckloads of soldiers rifles beat people as they tried to break through towards the city centre from Fengtai, in the south-west of Peking. The attempt, some 15 miles from Tiananmen Square apparently ended in failure, as have numerous similar moves since martial law was imposed on the capital on Saturday. More than 200 military trucks were still stationed on the south-west perimeter of the capital.

With public transport halted, and movement around the city difficult, Peking officials have warned that the capital is running out of fuel and some foodstuffs. More than 270 buses have been commandeered for the barricades erected each night on main city approaches in an attempt to keep the army out while litter is piling up on street corners. Hospitals are saying that treatment is being effected by a shortage of supplies and exhausted medical staff.

An emergency meeting of the standing commitee of the ruling Politburo was called in an attempt to find a solution to the crisis which has paralysed transport and other services in the capital, and led to the Government losing control of Peking, Shanghai and other regional centres.

In an effort to shore up the government position, authorities used helicopters to spread leaflets calling on residents to back Li and President Yang Shangkun in their efforts to end the protest and restore order to the capital.

The leaflets said the army was being called in to "protect people," not harm the demonstrators.

Confusion was fed by a profusion of rumours, beginning with reports that Li and Deng Xiaoping, the supreme political leader, had been ousted.

These reports later seemed unfounded as both men were referred to by their proper titles in official media.

More than 100,000 protesters staged a peaceful rally for democracy in Shenzen, the special economic zone adjacent to Hong Kong which has a heavy concentration of foreign investment.

Chinese state television reported that military control had been imposed in the industrial city of Wuhan after a sit-in closed a bridge over the Yangtze River.

The overall situation remained unclear, with Zhao, the only top leader not to be vilified by the student campaign, believed to be trying to overturn Li's hardline toward the five week old demonstrations.

Members of the National People's Congress, China's legislature, were reported to be gathering signatures to convene a special session which would consider the legality of the martial law decree.

Some 50 out of 80 necessary signatures were said to have been collected.

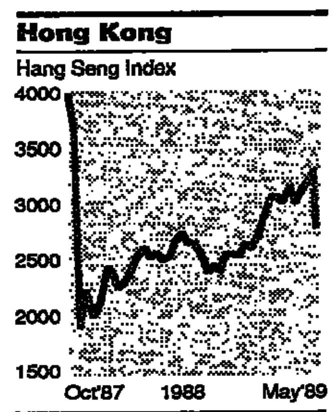
In an indication of the division within the leadership, the Peoples Daily carried conflicting messages about the unrest.

On one side of the front page the party mouthpiece had a hardline editorial attacking the demonstrations, while on the other, was a story quoting the Hungarian Prime Minister as saying that the most hated part of Stalin's rule was his use of the military against ordinary people.

Peking radio continued to appeal to residents to co-operate with the troops, especially the "patriotic students."

In Tiananmen Square, the demonstrating students continued to fly defiant posters calling for the resignation of Li, President Yang and Deng Xiaoping.

Army casts a shadow, Page 4



Selling on HK market worst since 1987 crash

By John Elliott in Hong Kong

HONG KONG'S stock market was hit yesterday by its worst spate of local and international selling since the 1987 world markets crash as investors reacted to events in Peking.

Reports of possible army clampdowns on the Peking demonstrators wiped nearly 11 per cent off the Hang Seng Index, which dropped 339.06 to 2,806.57. However, officials rejected suggestions that there was panic, adding that there was no evidence of local or international loss of confidence in Hong Kong.

Members of the colony's executive and legislative councils reflected growing public worries in a statement which expressed "serious concern" about the situation in Peking and hopes that China's army would not use force against the students.

They had met to assess public reaction following a peaceful demonstration of between 600,000 and 1m people on Sunday. The centre of Hong Kong returned to normal yesterday and displayed none of the tensions which arose in the late 1960s when China's cultural revolution brought rioters on to the streets.

Mr Allen Lee, senior member of the colony's legislative council, said the march was "not only an emotional outcry but a demonstration of great concern about the future of China." However, he rebutted any suggestions that the stock market falls were caused by a "loss of confidence."

Mr Frances Yuen, chief executive of the stock exchange, said the selling did not reflect "panic." Brokers supported this with reports of some buying at the day's lowest prices.

Continued on Page 24
World stock markets, Section II

Baker calls on Israel to hold serious talks with Palestinians

By Lionel Barber in Washington

MR JAMES BAKER, US Secretary of State, yesterday called on Israel to hold a serious dialogue with Palestinians in the occupied territories and for the first time outlined steps which each side should take to achieve peace in the Middle East.

In an unusually tough speech, Mr Baker called on Israel to forswear annexation, stop the expansion of Jewish settlements, reopen schools in the territories, and to lay aside what he called "the unrealistic vision of a greater Israel."

Mr Baker chose as his forum the American-Israel Public Affairs committee, the most powerful pro-Israeli political lobbying group in the US. His speech was greeted with silence.

Mr Baker told Arab countries, whose summit opens in Casablanca today, that they should end the economic boycott of Israel. He urged them to repudiate the "odious line" that Zionism is racism, stop challenging Israel's standing in international organisations and "take concrete steps towards accommodation with Israel."

In a separate message to the Palestine Liberation Organisation, with which the US opened a dialogue in December, Mr Baker said it should amend its covenant which calls for Israel's destruction and "translate the dialogue of violence in the intifada (the uprising in the West Bank and Gaza) into a dialogue of politics and diplomacy."

However, it was the tough language which Mr Baker reserved for Israel which stunned his audience and which is likely to reverberate internationally.

Many of America's allies have accused Washington of soft-pedalling in its Middle East diplomacy and of being too accommodating of Israel.

The speech suggests that the US wants Israel to make greater efforts towards talking to Palestinians in the occupied territories, though it stopped short of a call for direct talks with the PLO which Israeli politicians have vowed to fight.

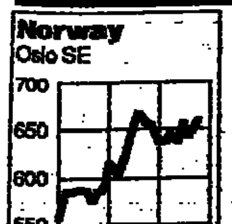
Mr Baker acknowledged that Israel's four-point peace initiative, including elections for a Palestinian delegation in the occupied territories that would negotiate interim self-rule "has given us something with which to work."

The plan also envisages that the Palestinian delegation would negotiate final status for the West Bank and Gaza which were occupied by Israel in the 1967 war. But Mr Baker said: "Much work needs to be done to elicit Palestinian and Arab thinking . . . and to flesh out some details of Israeli proposals and to bridge areas where viewpoints differ."

Mr Yitzhak Rabin, Israeli Defence Minister, is due to meet President Bush tomorrow. Yesterday the US promised it would try to keep military aid to Israel at $1.8bn next year despite budget cuts.

Extremists call the shots in Gaza, Page 24

MARKETS



INTEREST RATES
US lunchtime
Federal Funds $9\frac{11}{16}$% ($9\frac{5}{8}$)
3-mth Treasury Bills: yield: 8.588% (8.636)
Long Bond: $102\frac{7}{8}$ ($101\frac{11}{16}$)
yield: 8.593% (8.703)
London
3-month interbank: close $13\frac{1}{32}$% ($12\frac{31}{32}$)

STERLING
New York close
$1.5750 (1.6130)
London:
$1.5805 (1.6190)
DM3.1775 (3.1875)
FFr10.7525 (10.7975)
SFr2.8350 (2.8450)
Y224.50 (224.75)

DOLLAR
New York close
DM2.0130 (1.977)
FFr6.8135 (6.694)
SFr1.7945 (1.764)
Y142.05 (139.025)
London:
DM2.0095 (1.9895)
FFr6.8025 (6.6700)
SFr1.7930 (1.7575)
Y142.05 (138.75)

GOLD
New York—latest Comex June $363.7

STOCK INDICES
New York close
Dow Jones Ind. Av. 2,502.02 (+0.92)
S&P Comp 321.98 (+0.74)
London:
FT-SE 100 2,169.0 (-35.7)
World: 144.62 (Fri)
Tokyo
Nikkei Ave 34,067.86 (+65.90)
Frankfurt
Commerzbank 1,684.6 (-2.4)

OIL
Brent 15-day (Argus) $17.30 (-0.625) (June)
West Tex Crude $20.425 (same) (June)

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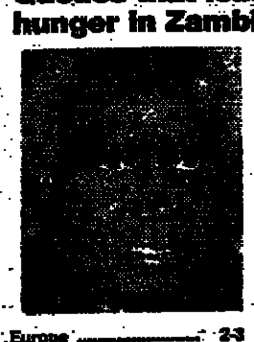
Queues that lead to hunger in Zambia



For urban Zambians daily queuing for essentials has become an unavoidable and time-consuming way of life. President Kenneth Kaunda realises that the subsidisation policy, partly responsible for the shortages, needs change
Page 4

Radicals prepare to flex muscles at Moscow Congress

By Quentin Peel and Bruce Clark

A FIERCE political struggle in the Soviet Communist Party, to dictate the whole future of Mr Mikhail Gorbachev's perestroika reforms, has come to a head this week in the days before the opening of the Congress of People's Deputies, the 2,250-strong new super-parliament.

Some 34 members of the party's central committee spoke at what was expected to be a stormy meeting yesterday, including the leading conservative, Mr Yegor Ligachev, who apparently denounced corruption charges made against him during the election campaign, and Mr Boris Yeltsin, his main critic on the radical wing of the party.

At stake is the role of the new Congress, the status of its deputies, and how it will vote on a whole new line-up in the Soviet government. Behind that debate is a bid by radicals, both within and outside the ruling party, to break the power of the party apparatus and government bureaucracy by bringing a fundamental political debate into the open.

Old-guard regional party leaders have seen their traditional power bases drastically eroded by the upsurge in popular democracy in the elections.

Re-run polls in 198 seats across the country, many of which produced no result because local party leaders standing unopposed were crossed off the ballot paper by voters, have now produced a string of new reformers to join the Congress – although the radical group is still clearly in a minority.

New names among the victors include Mr Vitaly Korotich, the outspoken editor of the magazine Ogonyok and bane of party conservatives; Mr Valentin Logunov, deputy editor of Moskovskaya Pravda, the Moscow Communist Party newspaper, who won the Kuntsevo seat after openly attacking Mr Lev Zaikov, the party boss, during the election; the poet Yevgeny Yevtushenko, who won a constituency in Kharkov, in the Ukraine; and Mr Nikolai Ivanov, the investigator who won heavily in Leningrad after he claimed that Mr Ligachev had been named in a corruption inquiry.

Radicals believe they can call on the support of up to 700 deputies in the future Congress, well short of a majority but enough to force a genuine political debate into the open.

They are calling for the inaugural session of the Congress to be held without a time limit, to enable the country's economic crisis to be debated in detail, and all the recent legislation put forward by the government to be analysed – and where necessary, amended.

A key issue on which the Communist Party leadership at least partly backed down yesterday was the new law on crimes against the state, which had been fiercely criticised by reformers. The Supreme Court yesterday restricted the meaning of "discrediting" public officials.

Mr Arkady Murashov, one of the Moscow group of radical deputies led by Mr Yeltsin, the former leader of the Moscow party who won a landslide victory in the elections, said they were determined to force a debate on the economic crisis, and the crisis in relations among the differing nationalities in the Soviet Union.

A mass rally in Moscow on Sunday night, addressed by Mr Yeltsin and a string of other deputies, supported every radical demand proposed, including calls for the resignation of Mr Ligachev, and Mr Nikolai Ryzhkov, the Prime Minister.

Mr Yeltsin has refused to say whether he will stand for president. However, Yeltsin supporters say that Mr Gorbachev unsuccessfully tried to persuade him to accept another senior post in the legislature – widely rumoured to be vice-president – in return for toning down his criticism.

"The main slogan of this meeting was to transform the Congress into a sort of legislative body to practically change the political system," according to Mr Yuri Skubco, of the banned Democratic Union, who addressed the rally. "It is unlikely, if you take the number of conservatives there. But it will be broadcast on television: everything will be shown before a country which is quite radicalised now."

Union endorses election candidates

By Christopher Bobinski in Warsaw

SOLIDARITY leaders have started to urge their supporters to vote in elections on June 4 for those party officials who took part in round-table talks earlier this year which led to Solidarity's return and the elections themselves.

Mr Lech Walesa, the Solidarity leader, told a crowd of several thousand in Bydgoszcz at the weekend that they should vote for some official candidates, and hinted that Gen Czeslaw Kiszczak, the interior minister, and Mr Stanislaw Ciosek, a party secretary prominent in the talks, were worthy of support.

The shift in tone comes after a meeting last Friday between Solidarity and the authorities, where officials complained that Solidarity candidates were telling people to cross out all official candidates. Most at risk is the "national list" of 35 names put forward by the authorities. They are not standing against anyone, but each has to get 50 per cent plus one of the national votes to get into parliament.

The list contains Mr Mieczyslaw Rakowski, the Prime Minister, who continues to arouse Solidarity's hostility, and Mr Wladyslaw Baka, the party secretary in charge of the economy, whom Solidarity would favour.

Solidarity's leadership has suddenly realised, to its dismay, that its partners in the round table could be eliminated from Parliament if enough voters take the advice being given them by grass-roots Solidarity activists: "Cross out all 35 and draw a spade on the ballot paper to show they are ripe for burial", a farmer in Skierniewice, near Warsaw, told a Farmers Solidarity meeting last week.

Should the national list fail to be elected and Solidarity win all the seats available to it under an electoral pact with the authorities, the government will hold a slim three-vote majority in the National Assembly, which is made up of the lower and upper chambers combined, and which will elect General Wojciech Jaruzelski, the party leader, as president.

EC cool on loans for Poland to encourage reform

By David Buchan in Brussels

A PROPOSAL to encourage Poland's political reforms by lending European Community finance to the deeply-indebted Warsaw government yesterday ran into objections from the UK and some other EC member states.

The European Commission proposal, which would involve the Luxembourg-based European Investment Bank (EIB) lending for the first time to a Comecon country, won backing from Germany and Denmark at yesterday's meeting in Brussels of EC foreign ministers.

Mrs Lynda Chalker, the UK foreign office minister for European affairs, said it was beyond the EC's competence to consider issues relating to the debt of Poland, or of any other country.

Her stance received some support from France and the Netherlands. However Mr Jacques Delors, the Commission president, said he hoped to raise the Polish debt issue at forthcoming summits of the EC and the Group of Seven in industrialised countries.

Mrs Chalker gave support to the other suggestions made by Mr Frans Andriessen, the EC external affairs commissioner, yesterday that in view of the Warsaw government's recent political reforms, including legalising the Solidarity trade union and holding relatively free elections next month, the EC should admit more Polish industrial and agricultural goods.

"The key to arriving at an agreement with Poland will be to offer it a timetable for abolishing quantitative restrictions, on similar lines to the agreement reached with Hungary," she said.

Last year Hungary signed a trade and economic co-operation agreement with the EC by which the latter is to phase out all quotas on Hungarian industrial goods by 1995. At the time, Brussels officials said this was in view of Hungary's record of relative political liberalism, and no other Comecon country could count on receiving the same treatment.

The EIB said yesterday there would be no constitutional block on loans to Comecon countries, once they had a formal co-operation agreement with the EC. But it pointed out its lending last year outside the Community amounted to Ecus 700m ($456m), out of total EIB lending in 1988 of Ecus 10.2bn.

Mr Andriessen also sketched out to EC ministers yesterday the mandate which Brussels wants for the opening of negotiations with Moscow this year for an eventual EC-Soviet trade and economic co-operation accord.

The mandate, still to be agreed by EC governments, should in the Commission's view include co-operation on research into nuclear safety, as well as science and technology, an area that will be watched closely by the US for any sign of the EC breaching CoCom export security controls.

Not all solidarity within the opposition

Polish voters witness dissent among the dissidents, writes Christopher Bobinski

"MEET Jacek Kuron – he has something to say," shout the posters all over northern Warsaw's Zoliborz district where 140,000 voters will elect two deputies to the Polish parliament's lower chamber in elections on June 4.

Mr Kuron, a veteran political dissident and now a senior Solidarity activist, is the movement's preferred candidate for the constituency's non-party seat. His campaign comes down to a punishing schedule of almost daily public meetings designed to blunt the challenge offered by Mr Wladyslaw Sila-Nowicki, a human rights lawyer, in a clash which is bringing tensions in the opposition into sharp relief.

The electors of Zoliborz are being given a chance before free elections to the Senate to signal their political preferences between Mr Kuron, representing the Social Democratic group at the top of Solidarity, and the right-wing Christian Democrats, represented by Mr Sila-Nowicki.

Mr Sila-Nowicki was a prominent adviser to Lech Walesa in 1981 but failed to get a place on the movement's official list for parliament. He charges that Solidarity is becoming undemocratic and the issues being raised in his campaign could well re-emerge at a national congress Solidarity is due to have after the elections.

In these elections 65 per cent of the seats to the lower chamber, the Sejm, have been reserved for members of the Communist and other established parties while the rest are open to the opposition for the first time since the 1940s.

This means that for the Sejm, in contrast to Senate election, there will be no direct clash between Government and Solidarity. In places, however, the authorities are discreetly backing non-party members against Solidarity to try to whittle away the movement's representation in the future parliament.

Polish elections

The 56-year-old Mr Kuron has the Solidarity machine and Lech Walesa's recommendation behind him, so he is likely to win. More people are coming to his meetings than to Mr Sila-Nowicki's.

But he is not neglecting his opponent. Mr Kuron wants to let people get to know him personally and to exorcise his greatest weakness: he was a Communist Party member for a few months in 1953 and then again between 1956 and 1964.

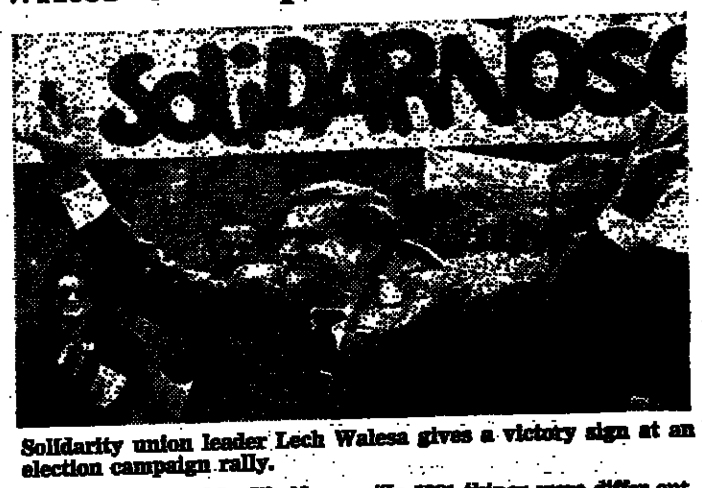
"I was stupid, as I thought communism provided easy solutions," he tells meetings as he moves around the stage like a restive bull. He goes on to explain in his hoarse voice that his second spell in the party ended when he was sent to prison for writing a left-wing critique of the party bureaucracy in 1964. Since then he has spent eight years behind bars, the last time being after Solidarity was banned in 1981.

Mr Kuron says he wants to go into parliament as one of "Walesa's team" concentrating on economic affairs. He candidly outlines the tensions a reforming economy will face. It is not a performance designed to pander to his listeners but rather prepare them for the difficult times which lie ahead with the prospect of rising prices, closure of inefficient industries and redirection of investment resources. So far it has gone down well.

Some in Zoliborz, however, cannot forgive him his past activities in the communist scout movement. He is also an agnostic, which has set some of the district's parish priests against him. "He is not one of us," explains one clergyman, who automatically assumes that not being a Roman Catholic makes Mr Kuron a Jew.

Mr Sila-Nowicki, 76, is quite different. An impassioned defender in political trials, he has at times even had Mr Kuron as a client. After a "good" war both at the front and in the underground he was sentenced by a communist tribunal and spent nine years in prison until his release in 1956.

His fall from Solidarity's favour came when two years ago he agreed to join an advisory council to General Wojciech Jaruzelski, the party leader, when the opposition was boycotting such invitations.



Solidarity union leader Lech Walesa gives a victory sign at an election campaign rally.

In his meetings Mr Sila-Nowicki makes no secret he is standing against Mr Kuron to give voters a clear political choice.

He says he wants the Solidarity leadership to take into account the views of its Christian Democrat wing.

"The group at the top of Solidarity is ignoring the movement's democratic ideals," he told a church meeting. And as for Mr Kuron, whom he praises for his opposition activities undertaken at the risk of prison, he cautions: "Anyone who has been in the Communist Party is inclined to use dishonourable methods to work for the right aim."

Mr Sila-Nowicki has always been a moderate, though now he argues the opportunities opened by reforms in the Soviet Union are not being fully utilised for change in Poland.

"In 1981 things were differ ent. Then we were literally a hair's breadth from Soviet intervention," he said.

His campaign has gathered a coalition of those who resent being ignored by the present Solidarity establishment. There are Catholic working men active in their parishes as well as students from Catholic university groups and even some Solidarity radicals who are opposed to Lech Walesa's moderate policies.

Mr Kuron's team tend to be more liberal, more middle-class and the young people are trendier and quite evidently upwardly mobile, politically speaking.

Both campaign managers, heading teams of volunteers some 40 to 50 strong, are in their mid-20s.

The authorities are not revealing their preferences in the Zoliborz race.

W Germany gives ground in missiles row with US

By David Goodhart and David Marsh in Bonn

THE West German government yesterday conceded a little more ground in the Nato dispute over short-range nuclear weapons (SNF), easing the path towards a compromise at the Brussels summit.

Mr Hans Klein, the government spokesman, confirmed that Bonn now was prepared to wait for the actual implementation of agreements reached in the Vienna talks on conventional arms parity before expecting talks on reducing the numbers of short range nuclear weapons.

Chancellor Helmut Kohl later said he had sent a letter to President George Bush with latest West German suggestions. He will telephone Mr Bush in the next few days.

Previously the West German Government had insisted on "early" negotiations on short range nuclear weapons – most of which are based on German soil – but last week it did finally accept a link between such talks and the Vienna conventional talks with the Warsaw Pact.

However, that link was initially spelt out very loosely, with Bonn suggesting that indications of progress in the main negotiations over tank numbers should be enough to trigger the start of the missile negotiations.

Yesterday it was confirmed that Bonn, under considerable pressure from Washington, is prepared to accept a much harder link with verifiable success in the tank and troop talks in Vienna.

One effect of the Bonn government's compromises on missile negotiations is to bury what had been virtually a cross-party coalition on the German approach to East-West negotiations. Yesterday several Social Democrats strongly attacked the concessions.

Mr Egon Bahr, the SPD security expert, said that, on US insistence, talks on short-range missiles would now be delayed six or seven years. Mr Hans-Dietrich Genscher, the Foreign Minister, said last week however he believed much of the Vienna talks could be completed in two years.

Mr Volker Rühe, the leading Christian Democrat security expert, said in a newspaper interview that the German position – for no decision on modernisation of short-range weapons before 1992 and "early" negotiations to reduce their number – had always been "a starting point not an ultimatum".

Moscow abandons threat to halt destruction of SS-23s

By Edward Mortimer in Moscow

THE SOVIET Government yesterday withdrew its threat to halt the destruction of SS-23 missiles, banned by the INF treaty, if Nato goes ahead with the replacement of the Lance short-range missile.

The threat, made 10 days ago by the Soviet Foreign Minister, Mr Eduard Shevardnadze, in Bonn, had been widely condemned in the West as a crude attempt to exacerbate divisions in Nato, and as casting doubt on the reliability of Soviet treaty commitments.

But yesterday Mr Gennadi Gerasimov, the chief Foreign Ministry spokesman, said at a press conference in Moscow "It goes without saying that the Soviet Union will implement" the INF Treaty, including the SS-23s. He confirmed that this would apply regardless of Nato's decision about Lance, but said "If the US tries to deploy such missiles in Europe it will have to be discussed in the special control commission" set up to monitor implementation of the treaty.

He claimed that the proposed "Lance 2" missile, which would have a range of 485 km (300 miles) was "nothing but an attempt to bypass" the treaty, which bans all nuclear missiles with ranges of 500-5,500 km.

Mr Gerasimov said the SS-23s had actually been tested at a range of under 500 km and were "technically very similar" to the proposed Lance 2. Yet, he claimed, the US had insisted on including the SS-23s in the treaty "to improve the effectiveness of the document", and the Soviet Union had agreed to this, "proceeding on the assumption that neither side will produce or deploy" missiles of this type.

It remains unclear why the Soviet Union is putting such emphasis on the Lance issue, given that Nato governments have already agreed to postpone a decision in deference to West German objections.

Britain concerned about weakening of 'special relationship'

By Lionel Barber in Washington

BRITISH officials are both irritated and perplexed by the Bush administration's shift towards brokering a compromise with West Germany in the Nato dispute over modernising short-range nuclear missiles.

British officials feel London's influence over the US administration has weakened since George Bush took over from Ronald Reagan, who enjoyed a close relationship with Mrs Margaret Thatcher. In the Nato dispute, their hard-line views have lately had little impact.

West Germany has called for early negotiations with the Soviet Union on reducing short-range nuclear missiles (SNF), and has persuaded the US to agree to delay a decision to produce and deploy a successor to the Lance missile until 1992. Britain opposes negotiations as a matter of principle and has pressed unsuccessfully for an early decision committing the alliance to a Lance missile replacement.

At a news conference on Sunday Mr Bush, flanked by President François Mitterrand of France, said he sided with the French on the need to resolve the dispute and cautioned: "There are strong-willed people from strong countries. But my role has been to try behind the scenes to be helpful for working this problem out."

This remark dismayed British officials who have been pressing Washington to act as a leader rather than a broker within the alliance. Privately, they single out Mr James Baker, the new US Secretary of State, as the culprit because of his propensity for pragmatic deal-making at the expense of principle.

One bone of contention concerns language under negotiation between the Americans and the Germans about the development of a successor to Lance. The US wants the Nato communiqué to say the US government is doing "research and development on a national basis" on the new missile.

The Germans say this violates the principle of Nato as an international alliance of sovereign nations.

Separately, Mr Baker said on Saturday that the US had agreed that SNF negotiations could take place, but only under stiff conditions. These included "more progress with respect to the completion and implementation of a conventional forces agreement" with the Soviet Union.

The US argues that this means sometime in the distant future, but the British view is that merely by mentioning negotiations, Mr Baker has sold the pass – and abandoned the administration's earlier hard-line position.

It is too early to judge whether this Franco-American alliance on SNF will develop at the expense of what the British call the "special relationship with Washington". Mr Bush went out of his way to say that the US was consulting the British on the SNF dispute, but he did not indicate he shared Mrs Thatcher's view that SNF negotiations would amount to the Soviets "going for Nato's jugular".

Indeed, there is some apprehension here that Mrs Thatcher will refuse to back the likely US-German compromise and take her opposition to the Nato summit next week.

Cossiga sets Italy's well-used crisis machinery in motion

By John Wyles in Rome

PRESIDENT Francesco Cossiga's latest attempt to furnish Italy with a new government began in time-honoured fashion yesterday when two rather ancient but distinguished gentlemen were ushered into his frescoed office in the Quirinale Palace.

Each time a government falls or resigns, as did that of Christian Democrat Mr Ciriaco De Mita last Friday, and a *crisi* (crisis) formally begins, the Italian President is obliged to spend at least three days painstakingly consulting all of the institutions with a conceivable interest or role in its outcome.

But these formal contacts are merely the prelude to what can be, and in this case is likely to be, a very lengthy process. Later in the week, Mr Cossiga may invite Mr De Mita to try to form a new government, or he may have heard such opposition to the idea from potential coalition partners that he will commission a senior institutional figure such as Mr Giovanni Spadolini, the president of the Senate, to carry out his own exploratory consultations on who might rally a governing coalition.

The fact that the main parties will probably want to spin things out until after the European elections on June 18 none the less will not set any records for taking time. Mr Giulio Andreotti, the veteran Christian Democrat for all seasons who may yet be the next prime minister, took office after a 121-day crisis in 1972 and bequeathed a 126 day crisis when his fifth government fell in 1979.

The wearisome consultation process always begins, as it did yesterday, with those former presidents of the Republic still extant, in this case 80-year-old Senator Giovanni Leone, who occupied the Quirinale from 1971 to 1978, and Senator Sandro Pertini, the 93-year-old who was Italy's first Socialist President from 1978 to 1985.

Such consultations – the eighth round since Mr Cossiga was elected President in 1985 – offer the retired heads of state an opportunity to recapture a few moments of public glory, with a television camera and microphone installed outside the exit from the presidential office. After his 10 minutes with Mr Cossiga, the frail Senator Pertini wished the journalists a good day, while Senator Leone vouchsafed that during his 30 minutes he had stressed the need for institutional and electoral reform.

Mr Spadolini marched into the Quirinale to have his say last evening, as did the president of the lower house of parliament, Ms Nilde Iotti. The party heavyweights, the Christian Democrats, the Socialists and the Communists, swing in with their views today, and by tomorrow evening Italy's quietly-spoken president will have lent an ear to fully 10 parliamentary groups.

Communists snub Papandreou

By Andriana Ierodiaconou in Athens

IN A decision which could affect the outcome of the Greek general elections on June 18, the opposition Communists yesterday rejected the possibility of a government coalition with the ruling Socialist Party (Pasok) as long as it remained under the leadership of the Prime Minister, Mr Andreas Papandreou.

"A progressive democratic government cannot include persons implicated in financial scandals in terms of either penal or political responsibility," a Communist announcement said, in an indirect but succinct reference to the scandal involving former banker and press baron Mr George Koskotas.

The scandal, which erupted last October, has implicated a number of senior Socialists, including the Premier, and caused a slump in Pasok's voter support.

The decision terminated days of sharp debate in the Communist ranks over the terms and conditions of a possible coalition with Pasok. Although the opposition Conservatives are ahead in opinion polls, the vagaries of the Greek electoral system may prevent them winning an absolute majority of seats in the 300-member parliament.

In such an event it was considered likely that the Socialists and the Communists, running second and third respectively, would attempt an alliance. By making the departure of Mr Papandreou a condition, however, the Communists have narrowed the possibilities for setting up a viable post-election coalition.

It is generally held that despite a sharp drop in personal popularity in recent months, Mr Papandreou remains the sole figure capable of holding together the diverse factions making up Pasok, and that the party would probably fragment on his departure.

Compromise on EC language teaching

By William Dawkins in Brussels

EUROPEAN Governments yesterday declared a truce over a controversial plan to boost foreign language teaching, the source of the latest row between Britain and the European Commission.

A meeting of EC Health Ministers gave their unanimous approval to spend Ecu200m (£130m) over the next five years to help students go abroad to learn foreign languages, a scaled down version of a European Commission proposal for an Ecu250m scheme. Britain, backed by West Germany, had refused to accept parts of the plan, titled Lingua, on the grounds that the Commission has the power to intervene only in vocational training and higher education, not in schools policy.

But they supported a compromise drafted by Mr Francisco Fernandez-Ordonez, the Spanish Minister chairing the session, which allowed governments to exclude school-age pupils from Lingua.

However, the success of the deal was immediately thrown into question when Mr Kenneth Clark, the UK Education Secretary and European Commission officials gave conflicting interpretations of the accord. Mr Clark maintained that the scheme was limited "to all above-16 and post-compulsory education. It cannot be applied in schools". He said: "The wording is absolutely clear." He greeted the decision as "a victory for common sense".

A spokesman for Ms Vasso Papandreou, the Social Affairs Commissioner, insisted – by contrast – that it was up to individual member states to define the scope of the scheme and narrow or widen it to higher-education students or those above 16 years if they wished.

He argued that the scope of the scheme had to be flexibly defined to take account of the needs of Belgium, where education is compulsory until 18, and Ireland and Luxembourg, where it lasts only until 15. Belgium was represented by three ministers, one for the state and two for its French and Flemish communities.

National officials warned that Britain's objections to the Commission's attempts to extend its education policies could easily be re-opened if Brussels tried to build too much flexibility into the operation of the scheme. Member states are due to reasses the plan after two years.

Airbus to stretch A320 airliner

By Lynton McLain

AIRBUS Industrie, the European airliner maker, is to offer a stretched version of its Airbus A320 airliner, to carry more passengers.

The A320 twin jet airliner currently carries between 138 and 179 passengers over a range of up to 3,000 miles. It is one of the most successful airliners made by Airbus Industrie, with firm orders for 466 aircraft from 25 customers.

On Saturday the supervisory board of Airbus Industrie authorised the management of the group to enter firm commercial negotiations with potential customers of the stretched version of the A320.

The stretched version would offer 200 passenger seats in an all-economy-class layout, or 186 seats in a typical two-class layout.

The stretching will involve the structural reinforcement of existing sections of the airliner, a modified wing trailing edge, uprated landing gear and extra emergency exits.

The engines for the stretched A320 will be developments of the Franco-US CFM 56 engines and the International Aero Engines V2500 that power the existing airliner.

Portuguese unions upset at inflation

Portuguese unions want a new social contract because of damage to wages by soaring inflation, Diana Smith writes from Lisbon.

Following news that April inflation leapt by 0.8 points to an annual 13.2 per cent – the worst in three years – criticism has swelled against Mr Anibal Cavaco's Silva Social Democrat government for letting prices rise while wage rises below the inflation rate shrink public-sector pay.

Civil servants plan mass action next month.

The vigorous 15 per cent growth of investment last year conspired with overheated consumption (up 6.5 per cent), voracious public sector financing needs of 10 per cent of GDP, and escalating imports to heat up inflation after two years' cooling.

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India makes 'long-range' missile test launch

By K.K.Sharma in New Delhi

AFTER TWO abortive attempts in the past four weeks, India yesterday successfully made a test launch of what it described as a "long-range guided missile". The controversial test gives the country the capability to launch nuclear and chemical warheads.

Mr Rajiv Gandhi, India's Prime Minister, later issued a statement denying the missile, code-named Agni (fire), was a nuclear weapons system, but said it gave the country the option of "developing the ability to deliver non-nuclear weapons with high precision at long ranges".

Neither Mr Gandhi nor the Ministry of Defence gave details of where the missile landed in the Bay of Bengal but it is significant it is now being described as "long range". Formerly it had been referred to as a missile of "intermediate" range. Some defence experts said its range was around 2,500km.

The test has been criticised in the West because a missile like the Agni cannot be delivered with pinpoint accuracy and thus is more likely to be used for delivering nuclear or chemical weapons. Western countries, notably the US, have been opposing efforts by various Third World countries to develop such missiles.

The anti-nuclear lobby in the US has started sanctions moves against India, but defence analysts say there is not much the Administration can do about India's new capability. Among countries that have similar missiles are China, Pakistan, Israel, Saudi Arabia and some Latin American countries.

The Defence Ministry said the test was part of efforts to develop missile technology under an integrated guided missile development programme launched in 1983. The technologies tested in what is called a "research and development vehicle" are in the areas of multi-stage propulsion, closed loop guidance and control, re-entry and terminal guidance.

The widely-publicised test was made at a special site at Chandipur-at-sea in the eastern state of Orissa. The missile followed a pre-determined flight path and fell into the designated area in the Bay of Bengal.

Agni is a two-stage missile developed at the Defence Research and Development Laboratory at Hyderabad. Experts said that given the overlap between satellite launch rockets already developed by India and long-range missiles, it is likely that several propulsion technologies developed in the country's space programme were used for the missile.

Tanzania calls for ivory ban

TANZANIA, following a lead set by neighbouring Kenya two weeks ago, has called for a global ban on the ivory trade, officials said yesterday, reports Reuter.

Over the past 10 years, poaching has halved Tanzania's elephant herd to 100,000 while Kenya's elephant population has also slumped.

"I would like to witness a situation whereby all countries in the world enact laws banning all dealing in ivory," President Ali Hassan Mwinyi said after talks with Prince Bernhard of the Netherlands.

For the moment at least power in China is not coming from the barrel of a gun. Soldiers seated on the ground 'guard' Communist party headquarters in Peking from student protesters.

Army casts a shadow over China's future

Colina MacDougall examines the struggle for power now taking place in Peking

China's People's Liberation Army will be as much a weapon in the power struggle now taking place in the Communist Party headquarters at Zonghanhai as it is in restoring order in Peking.

Li Peng, the conservative and mediocre prime minister, is close to State President Yang Shangkun, a former general who still has strong ties with the army. With a split between Li and Zhao Ziyang, the party general secretary, growing clearer every day, he may need the soldiers.

A substantial force perhaps as many as 20 divisions - 200,000 men - is now ringing Peking in the aftermath of the vast student demonstrations which took place last week. Most of these forces are not visible, though a train full of men at Peking railway station and dozens of trucks parked in southwestern suburbs indicate that there is a big build-up going on .

Democratic leaders in Congress are publicly pressing the Bush Administration to be more positive in its support for the protesters in China, Peter Riddell writes from Washington. President George Bush on Sunday expressed sympathy for the students' demands for freedom of speech and assembly but – in urging restraint on both sides – he refrained from criticising the Chinese authorities.

The administration wants to avoid jeopardising the friendly relations built up with Peking in the past 17 years, in which Mr Bush himself played a part as US envoy in the mid-1970s. The cordial relations between the US and the current Chinese leadership, notably Deng Xiaoping, were underlined during President Bush's visit three months ago.

Mr James Baker, the Secretary of State, has argued that it is not in the interests of the US to see "significant instability" in China and America must not appear to incite a riot.

Many students believe that troops are already stationed in the *Great Hall of the People*, to the west of Tiananmen Square, or in the Peking subway system.

These soldiers have been handpicked for their present job. They have not been allowed to read the papers or watch television for the last week, so they know nothing about the student demonstrations.

They have been told Tiananmen is disorderly and full of bad people breaking the law", said one student - the idea being that they won't then fraternise with students or refuse to go into action against them.

Some troops are from the Sino-Vietnamese border and some from Inner Mongolia as well as nearby Hebei province. Peking has chosen units unlikely to have had much to do with people in Peking.

There are reports that the commander of the local division, the 38th, based at Baoding, refused to go into action against students as his daughter was a student at Peking University. Subsequently he was sacked. Military forces attached to the capital were a key to holding power during the Cultural Revolution, the last time China's army played an important political role.

Martial law, announced on Saturday , provides the legal basis for military intervention, though there is still not a soldier and barely a policeman in sight through huge areas of central Peking. So far the new law has simply not been applied, though knowlegde of it around the town is growing.

In the last few days the future leadership has begun to seem finely balanced. A politburo meeting started yesterday which could make crucial decisions on who would hold power. Reports say Mr Zhao, party general secretary, has not been seen in public except on student affairs since the mid-May meeting of the Asian Development Bank. In China, this is a bad sign.

A growing outline of the split was filled in further by a petition to Mr Deng on Sunday written by seven old generals and signed by a 100 . The letter asked him not to use the army and not to let it enter the city. It was published in the Chinese press - yesterday morning, beside the announcement of martial law, a strong indication of the differing points of view.

Contrasting styles of rivals in Peking struggle

By Steven Butler

LI PENG became China's Prime Minister in 1987 as a direct result of the sacking of Hu Yao-bang, the liberal Communist Party general secretary, whose death a month ago triggered the pro-democracy student demonstrations that have put the Chinese leadership in crisis.

Zhao Ziyang, the current party general secretary who replaced the liberal Hu, yielded his government portfolio to Li, yet the political styles of the two men, who *have apparently become* rivals, are very different.

Although, at 69 years old, Zhao is younger than the octagenarians who led the Chinese revolution, he was none the less a full adult participant in the revolutionary struggle, and emerged in the 1950s as a talented administrator and party official, occasionally holding political positions in the military.

His reformist stripes were indelibly painted on during the 1960s, when he became first party secretary of the southern province of Guangdong, only to be sacked in the Cultural Revolution. Yet he *returned to* Guangdong in the next decade, and moved on to Sichuan in 1976. The liberalising reforms which he experimented with in both provinces proved such an enormous success that he rose swiftly to the post of Prime Minister in 1980.

There, under the tutelage of elder statesman Deng Xiaoping, Zhao implemented a range of radical market-oriented reforms that brought a boom to the countryside and boosted the availability of consumer goods in China's cities.

By comparison, Li Peng's background is technical and narrow, but Li was born with the communist equivalent of a silver spoon in his mouth. He is widely believed to be the adopted son of Chou En-lai, China's popular prime minister for 27 years until his death in 1976.

Li studied in the Soviet Union as a power engineer rising through a series of technical posts to become minister of the power industry in 1981. Ignoring his rich family connections, he was an unlikely candidate for prime minister in 1987. He has since approached the job with the instincts of a technocrat, looking for control and stability, and skilled at bureaucratic infighting, but showing none of the creative flair which Zhao occasionally displayed.

Indeed, it was after Li's appointment that the Chinese experience with reform began to go sour, with inflation zooming out of control along with rampant corruption. Zhao, who never completely let go his grasp on the economy, may be as much responsible for this as Li, who never showed much leadership.

Their current struggle is laden with irony. Li's most outstanding initiative in a bland career was Saturday's declaration of martial law, which appears increasingly inept. Yet Zhao, never known as a political liberal, has suddenly inherited this mantle and become the hero of sorts after opposing martial law.

Leadership contestants: Zhao Ziyang (left) and Li Peng

Tokyo police in crackdown on racketeers

By Stefan Wagstyl in Tokyo

JAPANESE POLICE yesterday announced a crackdown on *sokaiya*, racketeers who extract bribes from companies by threatening to disrupt annual meetings.

A special bureau is being *established at the Tokyo Metropolitan* Police Department, which is responsible for policing meetings in the capital.

Police hope the establishment of the bureau will serve as a warning to companies before the peak season for annual meetings next month, when 760 meetings are due in Tokyo alone. Of these 690 will be held on the same day, June 29, when 2,400 police will be on guard to deter racketeers.

The National Police Agency said yesterday the number of racketeers had fallen – from above 5,000 in the early 1980s to 1,333 known individuals at the end of last year. But *yakuza*, criminal gangs, were *becoming involved, increasing* the possibility *sokaiya* might resort to blackmail. The police estimated the list of known *sokaiya* included some 220 *yakuza* criminals against 50 a year ago.

Police have slowly been winning a war of attrition against the *sokaiya* since the law made pay-offs illegal in 1982. However, they have been hampered by the fact that companies are loath to disclose they have been approached by *sokaiya* for fear of revenge attacks.

The police believe many companies continue to make payments, sometimes disguised as fees paid for spurious *services such as* leasing potted plants or subscriptions to magazines. "*Sokaiya* have been getting more skilful," the police said yesterday.

So arrests have been few and far between, in comparison with the number of people allegedly involved in racketeering. Last year there were 26 arrests in 18 separate cases, including one involving Parco, a leading department store. Two Parco executives were jailed for five months each for making payments and two *sokaiya* for six months each. Mr Tsuji Masuda, the Parco chairman, resigned over the affair.

This weekend, in the first arrests this year, three executives of Fuji Fire and Marine Insurance, one of Japan's largest insurance companies, were taken into custody by police on allegations of paying a total of Y600,000 (£2,679) to a man so that he would not disrupt meetings held in 1987 and 1988.

They were arrested when the man, who was already being held by police on other extortion charges, confessed.

Canberra's green turn on Antarctic

By Chris Sherwell in Sydney

AUSTRALIA'S Labor party government, in a clear reversal of position, has decided against signing the Antarctic Minerals Convention and is to press instead for the creation of an Antarctic wilderness park.

The move amounts to a veto of the convention, which took more than 30 nations six years to negotiate, and reflects the government's growing concern about environmental issues.

But it means mining could eventually go ahead on a virtually unregulated basis unless a new diplomatic initiative by Australia successfully wins agreement for a tougher but still vague regime. Canberra's switch of position was announced yesterday by Mr Bob Hawke, the Prime Minister, Sen Gareth Evans, the Foreign Minister, and Sen Graham Richardson, the Environment Minister who helped negotiate the initiative.

Although no one is yet planning to mine the Antarctic, the convention offers a framework under which the continent's resources could in future be estimated and exploited. It will lapse if the principal parties to it do not sign by November this year.

PLO insists on elections link to overall settlement

By Victor Mallet and Jihan el-Tahri in Casablanca

The PLO, under pressure to respond to an Israeli election plan for the occupied territories, has presented its own peace proposals to the US Administration.

A formal PLO memorandum handed to the US in Tunis last week and disclosed ahead of today's Arab summit in Morocco, insists that elections have to be linked to an overall settlement involving the exchange of land for peace and the convening of an international conference.

Mr Yassir Abed Rabbo, a senior adviser to Mr Yassir Arafat, the PLO leader, said yesterday that the PLO completely rejected the proposals put forward by Mr Yitzhak Shamir, the Israeli Prime Minister. "The Shamir plan is replacing the formula of land for peace with elections for peace," he said. "It's a plan which aims at imposing autonomy as a final arrangement."

Some Western countries see the Israeli plan as a starting point for peace talks, and they point out that Mr Shamir had risked alienating right-wingers with his proposals for electing Palestinian negotiators in the West Bank and Gaza Strip.

But the PLO wants an independent Palestinian state, ruled out by Mr Shamir, and Mr Abed Rabbo was adamant in his rejection of the Israeli plan. He said the PLO was already qualified to start negotiations on behalf of the Palestinians.

"We are ready to discuss the question of elections in the international conference," he said. "We are not willing to accept the idea that there is no representation for the Palestinian people and that the representation will come after the elections. There is representation. . . The whole world is not recognising ghosts. The PLO is recognised as a state by more than 90 countries."

The memorandum urges the US to explain its views on Palestinian political rights and on a possible PLO-Israeli dialogue ahead of any international conference.

PLO leaders are hoping for united diplomatic and financial support from the two-day Arab summit, which includes Egypt for the first time since it signed a peace treaty with Israel 10 years ago. Negotiations were under way yesterday to reconcile the ideas of the PLO and those of Syria, which is suspicious of Mr Arafat's recent compromises and worried that he may eventually do a deal which would leave the Golan heights – captured from Syria in 1967 – in Israeli hands.

At least 53 killed in Sri Lanka separatist clash

AT LEAST 53 people were killed in northern Sri Lanka on Sunday in pitched fighting between rival separatist groups, military and rebel sources said yesterday, Reuters reports from Colombo.

A spokesman for the Liberation Tigers of Tamil Eelam guerrilla group said 42 men of the People's Liberation Organisation of Tamil Eelam (Plote) and 11 of their own were killed in the gun battle near Vavuniya.

Military sources said 40 Plote members and 11 Tigers died in the clash. An unconfirmed report by residents put the toll at 70.

The rebel spokesman said a local leader of Plote called Sangili was killed in the battle which erupted when Tigers attacked a camp of their rivals.

"He had been responsible for a number of killings of civilians in the area," the spokesman said. All the Plote people in the camp were killed and their arms and ammunition taken, he added.

The two groups are among five organisations seeking a separate state in the north and east for Sri Lanka's 2.5m minority Tamil community.

All except the Tigers have accepted a pact between Sri Lanka and India aimed at ending the separatist campaign and under which about 45,000 Indian soldiers have been deployed on the island.

Pretoria proposes to let blacks into the cabinet

THE South African government proposed an amendment to the constitution yesterday to allow the appointment of blacks to the cabinet, Reuter reports from Pretoria.

South Africa's 26m blacks have no vote at national level.

Nor are they allowed representation in the central government and they are also barred from becoming cabinet ministers.

The bill proposed by outgoing Minister of Constitutional Development Chris Heunis proposes that the President should have the authority to nominate a black cabinet minister at his own discretion.

But Allan Hendrickse, leader of the Coloured (mixed-race) Labour Party, said he would block the bill because it sought to entrench restrictions on black political involvement at national level.

"How can we support the appointment of certain blacks to the cabinet when the ordinary black citizen does not have full rights," Hendrickse said at a joint sitting of the segregated white, Coloured and Indian chambers of parliament.

Hendrickse, who was South Africa's first non-white cabinet minister from 1985 until President Botha fired him in 1987, said one or two blacks in the cabinet would be overwhelmed by the white bloc of National Party members.

TACKLING AN OWNERSHIP CONUNDRUM

Peres prepares to release control of Israeli banks

By Hugh Carnegy in Jerusalem

HOW DO YOU privatise something without first nationalising it?

Mr Shimon Peres, Israel's Finance Minister, will attempt *to solve that peculiar* conundrum today when he convenes a meeting of top officials from his ministry and the Bank of Israel that may well be decisive in determining the future ownership of Israel's banking system, whose assets total well over shekels 106bn (£33bn).

Mr Peres is apparently close to making his mind up on what the government should do to end the anomaly whereby it holds the majority of shares in the commercial banks but has no control over them because of lop-sided voting rights held by minority shareholders.

For some time the government has favoured putting the stock back into private hands, restoring bank ownership to a more normal commercial standing. This would almost certainly allow for at least a measure of foreign investment in the banks. However, without voting rights the shares are decidedly unattractive, so the obvious way is to equalise the voting rights and then sell the shares. But that entails first nationalising the banks – which all parties say they want to avoid.

The issue *originated* in a crash in bank shares on the Tel Aviv stock exchange in 1983. The government, faced with the collapse of the banking system, stepped in to take on the burden of the stock, but left control in the hands of the owners.

As a result, the *labour federation* Histadrut controls 50.1 per cent of the voting rights of the biggest banking group, Bank Hapoalim, with just 0.1 per cent of the equity. The Jewish Colonial Trust holds 2 per cent of the equity of the second largest bank, Bank Leumi, but has 75.5 per cent of the voting rights.

Legislation to equalise voting rights is before parliament, and Mr Peres has been urged by some in the Bank of Israel, the central bank, and by Mr Adi Amorai, chief of the agency which will have the job of disposing of the shares, to offer the bank controllers no more than one or two per cent in equity in compensation for such a change.

Other officials and, not surprisingly, the bank owners themselves, favour a scheme which would allow existing controllers first refusal on a significant chunk of equity, or a similar opportunity to stay in control after voting equalisation.

Whichever course is taken, government officials agree that they want to establish "core" *holdings* in the banks of about 25 per cent by private placement before any public issue of the balance of the shares.

They also want to see *foreign* investors - in the form of banks, corporations or private individuals - play a part. They are prepared to allow one of the big four banks - Hapoalim, Leumi, Bank Mizrahi and Israeli Discount Bank - to come under foreign control, though many politicians are not so keen.

The process will be a lengthy one, however. The intention is to sell the banks one by one, starting with the most saleable, generally reckoned to be IDB, presently controlled by the Recanati family, or Bank Igud, a profitable Leumi subsidiary.

On the question of how to avoid state control during the interim the *options* are either to set up an elaborate arms-length system of appointing bank directors or delay implementation of voting equality until the placement of shares has been agreed. The latter course would probably include the government conceding some of its votes temporarily to the core owner to allow them time to build up their equity stake.

Haggling over the price will be another tricky issue. But even at this early stage, government *officials admit* they will be lucky to realise more than one third of the $7bn the government has laid out on rescuing the banks .

The queues that lead to hunger in Zambia

Nicholas Woodsworth looks at cautious moves in Lusaka away from food subsidies

Zambians and Russians share a common way of life, a Soviet diplomat joked recently: "Zambians don't trudge about in fur hats in the snow, and they prefer maize beer to vodka. But like us, they know all about queueing."

For Lusaka-based diplomats, aid workers and other foreigners with access to dollars, the daily sight of long queues on the sidewalks of the Zambian capital causes little anxiety – like the international community in Moscow, expatriates here do much of their shopping in conveniently located hard-currency stores stocked with imported luxuries.

But for urban Zambians, daily queueing for scarce essentials has become a grim, unavoidable, and time-consuming way of life. It is not uncommon for housewives to begin lining up at 3am outside state-run commodity shops simply on rumours they will be stocked later in the day – the most common accidents reported in local papers are those sustained when pan-*ic-stricken shoppers* in queues push those in front of them through glass windows and doors.

Shortages of articles such as soap for washing, kerosene for illumination, or spare parts for car repairs result merely in inconvenience. Other shortages are literally killing the population.

In years of average food production, according to the World Bank, 48 per cent of Zambians lack access to a secure supply of food – a figure even higher than in famine-plagued Ethiopia – where it stands at 46 per cent.

Children are particularly vulnerable. A 1987 Unicef study conducted at Lusaka's *University Teaching Hospital* revealed that of the 433 children admitted there during a one week period, 60 per cent of the more than 100 who died did so through malnutrition. Zambian health authorities recently acknowledged that many infant diarrhoea-related deaths might be easily prevented if hospitals were able to obtain the sugar necessary for the preparation of oral rehydration salts.

But sugar, like maize meal, cooking oil, bread, and other essential foodstuffs remains in *short supply*, despite efforts by government to control food distribution – these include the 1988 nationalisation of 200 *shops whose owners, mostly of* Asian origin, were accused of hoarding and black-marketeering

It is ironic that these critical shortages persist in a country where a costly, long-standing policy of subsidising food staples, fuel, medicines, building materials and other goods was designed to make essential commodities available to the entire population. It is even more ironic that it is subsidies themselves which are in large part responsible for these shortages.

The most dramatic result is *the smuggling of Zambian* goods across frontiers into surrounding countries where no such subsidies exist – observers estimate that up to 25 per cent of food intended for Zambian consumption ends up outside the country.

Such large-scale smuggling is hardly surprising given the profits involved. A 50kg bag of subsidised maize meal selling for the equivalent of $3 in Zambia can fetch $60 on the other side of the Zambian-Zairian border. So porous and uncontrollable is this frontier, and so *determined are smugglers, that* Zambian border officials in many places have literally given up.

Artificially low consumer prices also mean that Zambia's vast system of state-owned companies are unable to realise the profits necessary to plough back into their operations to keep them profitable. Without the capital necessary to purchase raw materials, buy spare parts, or replace aging equipment, many factories in Zambia are running at less than 25 per cent capacity.

The resulting delays and shortfalls in production lead to consumer anxiety and panic buying. A huge black market has developed as a consequence – *stocks* bought by black marketeers at subsidised prices leave the shelves of state shops empty for weeks at a time, while on the sidewalks outside, these same goods are being sold at up to 400 per cent mark-ups.

Price distortions also lead to huge problems in strategic food stocks and distribution. The prices charged to consumers of such staples as maize, have been less than those paid to the farmers who produce them. As a consequence farmers have found it profitable to sell their entire harvests and then later buy back meal at low prices for their own consumption. With shortages in *the cities, this food does not* always find its way back

No relief is in sight. Following a disagreement on the need for the removal of subsidies and a more realistic exchange rate, the EMF terminated a Zambian structural adjustment support programme. With an ever steeper decline in its economy since then, the Zambian government has been forced to recognise the need for a change in its subsidisation policy. Its Fourth National Development Plan (1989-93) calls for the gradual removal of food subsidies and a greater concentration on long-neglected agriculture.

President Kenneth Kaunda, however, can only move with the greatest of caution. Political support for his one-party rule has traditionally been based on the satisfaction of consumer needs at the cost of economic rationality – when in 1987 attempts to remove subsidies led to political upheaval and widespread rioting and deaths, he opted for their reintroduction. So unmanagable has the subsidisation system become, however, that President Kaunda now has little choice but to take that unpopular and risky road once again.

President-elect Menem moves nearer to power

Alfonsín agrees to early handover

By Gary Mead in Buenos Aires

ARGENTINA'S President Raúl Alfonsín has agreed in principle that Mr Carlos Menem, the Peronist president-elect, must take over before December 10, the date constitutionally fixed for the handover. "In the context of a severe economic crisis the transition period is exaggeratedly long," said President Alfonsín late on Sunday evening.

However, no specific date has been agreed for the transition of power.

Mr Menem, of the Perónist party, was elected Argentina's new president on May 14, with a 10 per cent majority over his nearest rival, from the Radical party. Last week, Argentina's economic crisis sharpened and speculation grew that an early transfer of power would take place, despite denials from both Mr Menem and President Alfonsín's office.

President Alfonsín (left) with Carlos Menem

Mr Menem last week repeatedly denied that he was interested in taking office before December. At the start of this month the President stated that, whatever the presidential election result, he would see through his mandate and leave at the designated date.

Mr Menem arrived in Buenos Aires yesterday from his home of La Rioja to discuss the delicate political and economic situation with advisers.

He said on arrival that he would give no support to the new economic measures of Mr Juan Carlos Pugliese, the present Economy Minister, who is thought to be planning a return to a dual exchange rate.

Mr Eduardo Menem, the influential elder brother of Mr Carlos Menem and a Perónist senator, yesterday morning dismissed the possibility of a transfer of presidency "before two months" had elapsed. "All parties and sectors of the nation must be in agreement with the advancement [of the date]; that way we avoid having any legal challenges later," he added.

Since his election victory, Mr Menem has been under considerable pressure from both Perónist and Radical politicians to form a transition pact under the continued presidency of Mr Alfonsín, which would be limited to agreeing a set of emergency economic measures designed to combat hyper-inflation and the near-bankruptcy of the state.

That option was last week firmly ruled out by Mr Menem and a number of his closest advisers, who are reluctant to participate in such measures without having full control over government.

The weekend saw a flurry of contacts between Perónist and Radical politicians, which resulted both in President Alfonsín's statement and the resignation of three senior economic officials of his government.

Mr Roberto Eilbaum, central bank vice-president, Mr Mario Vicens, in charge of Economic Co-ordination, and Mr Pablo Gerchunoff, chief adviser in the Economy Ministry, all left, apparently as a result of pressure from Perónist politicians working on behalf of Mr Menem.

At the same time Mr Pugliese, announced an emergency bank and exchange holiday for yesterday, which was likely to be extended into today and perhaps further into the week.

The imposition of the bank holiday has postponed one element of the economic crisis, the government's need to pay off $250m worth of treasury bonds due to have matured yesterday.

Brazil's dark horse leads opinion polls

By Ivo Dawnay in Brasilia

MR Fernando Collor de Mello, the crusading young governor of a tiny Brazilian state, has astonished pundits by stretching his opinion poll lead in the presidential race – and now has more than twice as much support as his nearest opponent.

A survey shows that if voting took place today, Mr Collor, who sprang to national fame only two years ago for his attacks on corruption and civil service privileges, would win 32 per cent of the vote in an 11-candidate race.

His nearest rival, Mr Leonel Brizola, the veteran left-wing populist, has slipped back to 15 per cent, while Mr Luis Inacio Lula da Silva, another socialist, has dropped to 11 per cent.

All the other centre and right-wing candidates won less than 8 per cent of the poll. While voting by 80m electors in the first free presidential election for 29 years is still six months away, the monthly findings have shown Mr Collor making steady gains at the expense of both left and right.

The poll – drawn from a 2,750 sample in more than 100 cities – shows that the governor of the impoverished north-eastern state of Alagoas is not, as many predicted, a mere seven-day wonder.

Its May findings, published yesterday, demonstrated remarkably consistent support across all five of Brazil's regions, rising to 47 per cent in the centre-west against a low of 29 per cent in the south-east.

Some political analysts who had written him off are now talking of a bandwagon effect that could give Mr Collor an outright victory on November 15. Brazil's elections are now based on the French model with a first round, followed by a play-off between the two front runners if neither achieves an absolute majority.

Yesterday's poll shows that Mr Collor would trounce either of his nearest contenders in the second round.

The Collor phenomenon is all the more remarkable for his lack of any grass roots party organisation or mainstream support. His backing comes as a result of his highly publicised campaign to boot out the so-called Maharajahs – highly paid but underworked civil servants – from his state administration.

His early and total opposition to the deeply unpopular government of President José Sarney when others were ambivalent has also helped, as has his youth

Critics of the governor claim he is a single-issue politician with no programme – a closet conservative and playboy opportunist only adept at climbing fashionable band wagons.

However, rival party strategists are aware that in attacking what is widely perceived to be a corrupt and privileged political and bureaucratic elite, Mr Collor has struck of seam of electoral gold.

As the candidate for those who hate politicians – a substantial constituency in contemporary Brazil – Mr Collor has built a platform that it will be hard for many of the old guard now contesting the presidency to join.

Panama's ruling party hits at OAS delegation

PANAMA'S ruling party accused the Organisation of American States of interfering in the country's internal affairs yesterday, a day before an OAS team seeking a way out of the political crisis was due to arrive, Reuter reports from Panama City.

The Democratic Revolutionary party said the OAS, which last week condemned Panamanian military strongman General Manuel Antonio Noriega for abusing May 7 elections, had violated its charter by intervening in the internal affairs of a member state.

"The Organisation of American States cannot impose criteria on us from outside, nor does it have the authority to resolve any difference that may exist inside a nation," the party's National Executive Committee said.

It said the OAS delegation could act only as distinguished Latin Americans seeking agreement between Panamanians and not as mediators.

The criticism was echoed by government presidential candidate Mr Carlos Duque who said that international organisations did not have the political, moral or legal authority to judge the Panamanian people.

Local newspapers also quoted acting President Manuel Solis Palma as telling a Mexican newspaper at the weekend that the OAS mission had already made up its mind on the crisis and would recommend that the OAS isolate Panama.

Opposition vice-presidential candidate Mr Ricardo Arias Calderon said at the weekend that the mission had the specific task of seeking a transfer of power.

"That means recognition of (the election of) May 7 and that Noriega should go," he said. If Noriega did not go, the OAS should place him in a strict diplomatic and political quarantine.

Opposition leaders yesterday continued their campaign-style tours of Panama City, visiting factories and shaking hands.

The leaders, tailed for much of the tour by a police van, say they are trying to rebuild people's spirit after violence which followed the elections.

Between Yanqui-hatred and love of the dollar

The Organisation of American States delegation due today in Panama finds itself caught up in a wave of regional populism that will make its task of resolving the crisis there nigh impossible, writes Tim Coone

THE Organisation of American States has a monumental task to achieve by June 6. It has to help negotiate in Panama "a transfer of power in the shortest possible time".

Between the lines of the official OAS declaration, issued last week, can be read "... and the removal of General Manuel Antonio Noriega from power".

A high-level OAS delegation, including its secretary general, Mr Joao Baena Soares, arrives in Panama today already knowing that the negotiating positions inside the country are irreconcilable.

Mr Rigoberto Paredes, a leader of the ruling PRD party in Panama and a close associate of Gen Noriega, said last week: "General Noriega is not negotiable".

Leaders of the ADOC opposition, who had their landslide victory stolen from them by the government after the election on May 7, have said that "a reconciliation is inconceivable without the removal of Gen Noriega".

In case a snub from Gen Noriega awaits the OAS negotiators, the US naval ship Bellatrix last week completed preparations for an alternative US strategy. Blocking a lock in the canal for eight hours, it disgorged a stream of almost 200 armoured military vehicles. They proceeded to churn up the neatly-kept grass lawns of the lockside before disappearing over a nearby hill to await further orders.

The vehicles belong to a mechanised infantry battalion sent to re-inforce the 10,600 US Southern Command troops based in Panama. This overt display of US military might in the canal that is due to be handed over to Panama at the turn of the century, was designed to impress upon Gen Noriega that US treaty rights are still in force and will be so until December 31 1999. One slip by him, and the military option might be used.

But what happens after 1999 is, it may be argued, what the present Panamanian crisis is all about.

Gen Noriega claims that the US wants a pliable Panamanian government in power to negotiate a continuation of the US military bases in Panama beyond 1999. He intends to remove them.

The US claims it intends to pull out as agreed in 1999. The US Congress, however, inserted a paragraph in the Canal Treaty of 1977 during its ratification procedure creating the opening for a negotiated extension of the US military presence beyond 1999.

This ambiguity has helped to graft a complex blend of nationalism, anti-imperialism and populism onto the corruption and latent fascism within the ranks of Gen Noriega's cohorts.

On the basis of "my enemy's enemy is my friend", communists and socialists have joined ranks with right-wingers to back the general, regardless of his past as a long-time agent of the US Central Intelligence Agency and alleged links to organised crime.

The Latin American left sees the removal of US bases in Panama in the year 1999 as a "strategic denial" of jump-off points for US military intervention on the continent.

Right-wing nationalists such as Chile's General Augusto Pinochet have a similar point of view. It is useless to argue the fact that the US has never made a direct military intervention in any country south of Panama this century; the answer is always "but there could be in the next century".

Such strategic overviews and US meddling in Panamanian politics create the Panamanian Government's self-justification for electoral fraud and violent repression of the opposition. Hoping to undercut the OAS, Gen Noriega is appealing to nationalists elsewhere on the continent.

The controversial retired General Frank Vargas of Ecuador claims to have raised 1,500 volunteers in his own country and is recruiting more to fight alongside Gen Noriega should he require them.

The failure of Gen Noriega to strike a chord with the majority of his fellow Panamanians, however, has perhaps more to do with their self-interest than with some sort of regional nationalism.

The US military presence in Panama generates a gross income to its economy of $300m a year, equivalent to 5 per cent of gross domestic product. Not only will Panama lose this in the year 2000, it will have the additional burden of having to finance expanded Panamanian Defence Forces (PDF) to defend the Canal.

The present crisis has reduced Panama's GDP by 20-25 per cent in the past year and slashed government income by 50 per cent, mostly through the impact of US government sanctions.

Economists argue that the present recession is quickly reversible should the political crisis be resolved soon. If it is not, one leading Panamanian banker said, "long-term damage will occur to the country's infrastructure within six months to a year due to bankruptcies, especially in the construction industry".

The foreign military and business community has been an important demand factor in the real estate market and construction industry as well as in the services sector. Without those influences there is little prospect of economic recovery on the horizon.

A number of foreign banks were awaiting the outcome of the elections to make a decision whether to stay in Panama. Most had already begun running down their loan portfolios, a process that will be accelerated if the OAS fails.

A strong possibility exists that Gen Noriega may still prefer to stand and fight in spite of the consequences for Panama, rather than face an uncertain, and possibly dangerous life in exile.

As one European banker commented: "He will leave power when Panama is no longer good for him, not when he is no longer good for Panama."

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S Korea reaches agreements with US on trading

By Nancy Dunne in Washington

SOUTH KOREA has signed three agreements with the US – promising to eliminate key import barriers and liberalise foreign investment – to avoid being singled out as an unfair trader under the 'Super 301' section of the new US trade law.

Mrs Carla Hills, US Trade Representative, whose office used the threat of action under 'Super 301' as leverage in the negotiations, said: "These agreements create a useful precedent for the Uruguay Round and bilateral negotiations which will strengthen the global trading system."

Seoul has agreed to open its market fully to foreign travel, advertising agencies and wholesalers of pharmaceuticals and cosmetics.

Pharmaceutical companies will no longer have to make their products in Korea, and regulations requiring "burdensome" clinical testing of foreign pharmaceutical products in Korea have been indefinitely suspended.

South Korea will also begin opening its market to agricultural imports, committing itself to remove restrictions on 70 out of 140 products, including poultry parts, fresh fruits, nuts, and soyabean oil.

These restrictions will be removed in three stages. The quota on orange juice will be increased from 9,000 to 15,000 tonnes.

Under the investment agreement, South Korea will remove the performance requirements on foreign investors.

Instead of a screening system, there will be a simple notification procedure for most foreign investments.

Contesting the point at which trade becomes aid

Peter Montagnon on the debate behind negotiations on how to limit the sweetening of export credits

THE PROBLEM of concessional lending was not one that could be solved. It simply had to be managed to keep it within reasonable limits.

This was the reaction of one weary export credit official last week as he contemplated the prospect of yet another round of negotiations in the Organisation for Economic Co-operation and Development to curb the rampant practice of mixing export credits with aid.

Just two years after the last round, Canada and the US are pressing for a new one designed to reduce what many perceive as the distortion to both trade and aid flows which results from sweetening export credits in this way. They are trying to get industrial country trade and finance ministers to launch a new set of negotiations at their meeting in the OECD later this month so that a package of new rules can be ready 12 months from now.

Whether they will succeed in the short run is a moot point. Their plan is meeting resistance from other countries that feel it is too early to embark on another review, but even some of these admit that the time is not too far off when the simple pressure of cost will force a fresh international look at the whole business of subsidised export credits.

The background to the Canadian and US initiative owes something to both domestic budget pressures and to broader international concerns.

The US Export-Import Bank is once again under attack from free marketeers in Washington whose overriding concern is to prune the federal budget by reducing subsidies of all kinds. Suddenly Canada, too, has been forced to focus on the issue. It has found itself in the curious position of shelving its C$8bn submarine programme for budgetary reasons while increasing sharply its concessional loan allocations because of prior commitments.

An international agreement to curb mixed credits would bring both governments relief from exporters who complain of their stinginess in matching the competition.

There is, however, some broader justification for seeking a review at this stage. Figures submitted to the OECD by members of its Consensus on Export Credits rules show that offers of mixed credits jumped 30 per cent in the year to last June and have continued to run at a high level ever since.

The fear is that the review of subsidy rules in 1987 failed to achieve the effect of curbing the practice of mixed credits

The fear is that the laborious review of subsidy rules completed in 1987 has failed to achieve the desired effect of curbing the practice of mixed credits.

It was intended to work by setting higher minimum levels of aid grant, making mixed credits more expensive and forcing governments to cut back. Instead what some fear has been happening is that aid that would have otherwise been used for straightforward development purposes has been diverted into mixed credits.

This is worrying not least because mixed credits go mostly to middle-income developing countries that have thus been taking money that should normally be used to alleviate the plight of the poorest.

The US and Canada may have some trouble convincing their negotiating partners of this argument, however, because of the lack of reliable figures. The OECD has no means of telling how many of the offers of mixed credit which are notified to it are actually taken up by developing countries.

Some European countries feel that more time is needed to assess the real trend. But there seems to be little doubt that eventually the 1987 package will have to be re-opened and new rules set.

When this happens, the result is likely to be complicated, because discussion will turn on not only finding a new way of curbing mixed credits, which is more effective than simply raising the minimum grant content of individual credits. It will also have to encompass a long agenda of related issues which are piling up on the Consensus agenda.

For example, the UK, with its new concessional credits for both China and Indonesia, has been particularly aggressive on the mixed credit front. But new OECD talks would provide an opportunity to push for a long-cherished objective of removing the maturity limits on official export credits to rich countries, such as the Soviet Union.

For the long list of finance ministries worried about the general cost of export credit schemes, the review would provide an opportunity to reduce still further the interest subsidies which are routinely permitted on conventional credits to middle-income and poorer developing countries. This would entail a review of the matrix of permitted rates with particular focus on cutting subsidies directed towards middle-income countries.

There is also concern in low-interest countries, such as Japan, that the minimum rates are pitched so high as to make it hard for them to offer any interest rate subsidies while high-interest countries are able to gain an advantage by doing so with loans in their own currency.

Although Japanese interest rates are low, it is widely accepted that Japan has been hit by the appreciation of its currency which has made its export credits costly for developing countries to service. On the other hand the country has also been criticised for not reporting as mixed credits export credits which are sweetened with untied aid. Competitors complain that even though the aid is notionally untied the resulting business still somehow ends up in the hands of Japanese companies.

Last, although it is not directly related to the question of the Consensus rules, there is the question of transparency of export credit agency accounts. This has been given a new lease of life by the decision of Britain's Export Credits Guarantee Department sharply to increase its provisions on developing country debt.

The UK would now like other agencies to be similarly candid about their financial position. After all, one of the surest ways of winning public support for cuts in overall spending on export credits ought to be ruthlessly to expose its cost.

Call to soften Super 301 crunch for Japanese

By Nancy Dunne in Washington

BUSH Administration officials have expressed an interest in a proposal to call a full-scale economic summit with Japan while naming it as a "priority foreign country" with egregious trade barriers under the Super 301 provision of last year's trade law.

The proposal was issued last week by the National Association of Manufacturers (NAM) after a membership vote.

The resolution did not ask for the naming of specific trade practices, but stressed support for the provision in the trade legislation asking the President to seek an economic summit with the prime minister of Japan.

Mr Howard Lewis, NAM's vice-president of international affairs, said the group wanted a strategy, not just a checklist, in dealing with the US-Japan trade imbalance. The summit would examine macro-economic solutions as well as specific trade disputes.

He said officials at the US Trade Representative's Office as well as Commerce had requested a copy of the NAM proposal. Despite the various reports circulating through Washington, that the US has decided to cite Japan, Brazil and India for Super 301 actions, President Bush has not yet made a final decision. It is expected this week.

The US has been criticised in Geneva by Japanese and South Korean delegates for proposed unilateral actions. NAM was offering a less confrontational strategy because US-Japanese co-operation is necessary to end the Uruguay round trade talks successfully.

Japan must be named to avoid an outcry in Congress, which designed the trade law in part, to identify the most signicant potential foreign markets. "By naming the country, but not the practices, we give the president the discretion to negotiate about the most important issues," Mr Lewis said.

Japanese manufacturers to complain over tariffs

By Guy de Jonquières, International Business Editor

LEADING Japanese consumer electronics manufacturers have formally complained to the European Commission about a proposal which would almost treble the Community tariff on imports of most compact hand-held video cameras, known as camcorders.

The proposal, to be discussed by a committee of national customs officials in Brussels next week, would increase the tariff from 4.9 per cent to 14 per cent, the level applied to video cassette recorders (VCRs).

The Electronics Industry Association of Japan, acting for 11 Japanese camcorder manufacturers, has strongly condemned the proposal which, it says, is likely to fuel concern among the EC's trading partners about a "Fortress Europe."

The Association says the proposal would violate the Community's obligations under the General Agreement on Tariffs and Trade and would reverse an EC decision on the customs classification of camcorders made only three years ago.

Consumer electronics has long been a highly sensitive issue in EC-Japanese trade relations.

However, the latest incident is unusual because all the camcorders sold in the EC last year were imported from the Far East and there is no indigenous European industry to protect.

Ironically, the only company making the products in the EC is Sony, a Japanese company which has associated itself with the industry complaint.

According to BIS-Mackintosh, a British market research firm, about 2m camcorders worth a total of $2bn were sold in the whole of Western Europe last year.

Pacific trade coalition urged

By Peter Norman in St Gallen

A LEADING Democrat member of the US Senate yesterday called for the creation of a "Pacific Coalition" to help promote the Uruguay Round of multilateral trade liberalisation talks and ease the debt crisis.

At the same time, Senator Bill Bradley of New Jersey cautioned against any rapid moves to grant membership of the General Agreement on Tariffs and Trade to the Soviet Union.

Addressing this year's International Management Symposium at the University of St Gallen, he said Australia, Canada, Indonesia, Japan, South Korea, Mexico, Thailand and the US should form a group in which trade, finance and commerce ministers would meet informally to find solutions for issues such as agriculture.

He said that these nations would not form a regional trading block.

US-EC deal to solve disputes

By Tim Dickson in Brussels

THE CURRENT "softly, softly" style of transatlantic trade relations has been illustrated by a US-EC deal over procedures for sorting out two potentially bitter trade disputes on oilseeds and sugar products.

At a weekend meeting in Washington between Mr Frans Andriessen, the EC's External Relations Commissioner, and Mrs Carla Hills, US Trade Representative, the two sides ended months of bickering over the type of dispute panels to be used in resolving the two complaints, made under the rules of the Geneva-based General Agreement on Tariffs and Trade.

Apart from confirming the less antagonistic atmosphere in relations between the two camps, the latest settlement appears to head off the possibility of immediate retaliatory action which under the new American Trade Act Mrs Hills would have been bound to consider in early July.

But the fact remains that the substance of the issues has not yet been tackled and while there may be a respite, the disagreement is bound to complicate relations later in the year, and could get caught up in the wider negotiations on agriculture in the Uruguay Round of the Gatt. Another deadline for US "action" looms in early 1990.

In late 1987, the US Soyabean Association filed a complaint, quickly adopted on its behalf by the Administration in Washington, alleging that EC subsidies on oilseeds were unfairly encouraging EC production and thereby undermining access to the European market.

According to US figures, US exports of soyabean and meal have fallen from $3.6bn in 1981 to around $2bn in 1986.

The EC hit back last year with its own complaint, that the US was restricting imports of sugar and sugar-containing products under quotas which came into force under a Gatt "waiver" as far back as 1955. The quotas also apply to dairy products, cotton and peanuts.

Progress in the Gatt on both issues was initially blocked on which individuals could sit on the panels, then more recently on terms of reference. The EC, for example, had been insisting that the panel refrain from considering damages in the soyabeans case and stick to the legality of the subsidy, a demand which Washington felt could be prejudicial.

Under the weekend agreement, reported by Mr Andriessen yesterday to the EC foreign ministers, the EC agreed to drop its damages demand and the US agreed to proceed with a panel covering the sugar "waiver".

But as Mr Guy Legras, the EC's director-general for agriculture, said last week on the soyabeans dispute: "The fundamental problem remains. Nobody should be in in doubt the stakes are high."

UK NEWS

'WonderWorld' set to announce risk capital deal

By Richard Tomkins, Midlands Correspondent

WONDERWORLD, the company planning to build Britain's biggest theme park on a 1,000 greenfield site near Corby in the Midlands, is today expected to announce that it has raised the risk capital necessary to start the project.

Clearance of the funds was being completed overnight and a group of senior executives from Bouygues, the French construction group which is to build the park, will arrive on site this morning.

Completion of the private share placing will mark the end of a long series of setbacks in trying to finance construction of the Disney-style park since it was conceived more than 15 years ago.

The project appears to have been saved by a group of unnamed private investors who have stepped in with an offer to buy £72.8m worth of shares in the company. Another £5m worth of equity will be put up by Bouygues.

The balance of £125m needed to finance the project's £203m first phase will be raised in the form of debt.

WonderWorld's advisers believe this will be relatively easy to arrange now that the risk capital is in place.

Billed as the biggest single scheme ever to have won planning consent in the UK, WonderWorld and its related commercial developments could eventually cost an estimated £1bn. Later phases will be separately financed.

Work on the first phase, comprising six of the 13 planned themes such as Story-Village and HealthWorld, will begin within days. Opening is targeted for August 1992.

The latest placing of WonderWorld's shares has been arranged by W.I.Carr, the London stockbrokers. It has found a group of wealthy individuals who are prepared to back the project with their private funds.

The investors are shielding their identity by investing through an offshore company called World of Wonder, based in the British Virgin Islands, and they have asked W.I.Carr not to say who they are.

Mr Graham Andrews, head of corporate finance, said the investors were not well known figures and wished to remain that way.

Union votes for Labour multilateral arms policy

By John Gapper, Labour Correspondent

THE opposition Labour Party's attempt to shift to a policy of multilateral nuclear disarmament was heavily backed by the National Union of Public Employees yesterday, clearing the way for the abandonment of strict unilateralism.

The union's change of policy makes it almost certain that Labour's annual conference this autumn will back the revised policy of negotiating cuts in nuclear arms which was recommended by the party's policy review.

Nupe's annual conference in Scarborough voted by a majority of three to one to back multilateral negotiations. The switch of policy will transfer 600,000 block votes away from unilateralism at the conference.

At last year's conference a motion supporting a mixture of unilateral and multilateral disarmament was defeated by 335,000 votes, with Nupe voting against.

The vote reduces the importance of the stand taken by the TGWU transport union against a change of policy. The TGWU, which wields 1.25m votes, is to consider the issue in June.

Disney executives working at Sky TV despite suit

By Raymond Snoddy

DISNEY Channel executives are still at work in the London headquarters of Sky Television planning to proceed with an August 1 launch of the channel in the UK despite Sky's $1.5bn lawsuit against the Walt Disney Company for alleged fraud and breach of contract.

Mr Pat Lopker, managing director of the Disney Channel in the UK said, yesterday: "As far as I am concerned it's business as usual."

Last Thursday Disney drew up and distributed to Sky Television executives the first schedules for the new channel.

"We have not terminated the agreement. We think we have an agreement and we are going ahead. So far as we concerned we are operating as we were a couple of weeks ago," said Mr Lopker, who added that he was continuing to hire staff for the channel launch despite the dispute between his parent company and Mr Rupert Murdoch's Sky Television.

Last week Mr Andrew Neil, executive chairman of Sky Television, said after filing the lawsuit that plans to launch the Disney channel in the UK in a joint venture with Sky were at an end.

In the suit, filed in Los Angeles Superior Court, Sky Television claims it has already spent or committed $500m "establishing and commencing the venture and its business (including cash outlay and commitments)."

Most of the commitments involve the rights to films for Sky Movies, the Sky Television channel. The 16-page lawsuit sets out five causes of action against Disney including alleged breach of contract, fraud and unfair competition.

Disney has said little about the suit but to say it has "absolutely no merit", although a reply from Disney is expected later this week. A hint of possible Disney grievances is contained in a letter filed by Sky Television lawyers with the main lawsuit document.

In a letter to Disney's top executives Mr Barry Diller, chairman of Twentieth Century Fox Film Company, part of Mr Murdoch's News Corporation, concedes: "I do not mean to ignore or even minimise your feeling that we have not consulted with you or sought your approval in some areas."

The letter offers to set up a "hotline" to solve problems. It continues: "While we disagree with your characterisation of what occurred, you have my personal assurance that, in future, we will go even beyond the requirements of the contracts rights. We assume that you will do the same."

One point of contention involves a deal for rights to future Warner Brothers films for the satellite joint venture.

News Corp admits it is difficult to quantify the damage caused by Disney's alleged actions but says it believes the figure that can be proved will exceed $500m. A further $1bn is being sought in punitive damages.

Gurkha brigade to be cut by half

By David White, Defence Correspondent

BRITAIN has taken the knife to its famed Gurkha brigade of Nepalese soldiers.

Surprise plans to cut the 8,000-strong force by half were announced in the House of Commons yesterday by Mr George Younger, Defence Secretary. The decision is linked to British withdrawals from Hong Kong, due to be handed over to China in 1997. The colony is the Gurkhas' main base.

Officials emphasised that the Gurkhas' future as a brigade in the British Army was guaranteed. All Gurkha regiments would keep their identity, with their cap-badges featuring the celebrated *kukri* knife.

But the number of infantry battalions is being trimmed from five to four, and the size of each from four companies (about 900 men) to three companies (about 700 men) to match other British battalions.

Mr Younger told the House the Nepalese Government had been informed of the plan. Gurkha soldiers are reckoned to contribute £30m a year to Nepal's tiny economy.

It is not yet been decided where the Hong Kong Gurkhas will be based. Three battalions are now there, largely paid for by the Hong Kong Government, one in Brunei paid for by the Sultan, and one in the UK.

Mr Younger said no change was planned before 1992, with the first withdrawal of a battalion from Hong Kong.

The brigade now costs the UK about £51m a year. This is expected to increase by £10-£20m under the plan, mainly because of the loss of Hong Kong funding. Redeploying the entire force would have cost an extra £80m.

Gurkhas have been in British service since 1815 and in the Second World War numbered as many as 250,000.

'Tough time ahead for food groups'

By Christopher Parkes

THE fastest-growing sectors of the UK food industry will soon feel the effects of the economic squeeze, although non-European Community companies appear set to benefit from the creation of a single market in 1992, says a study published today.

The study, compiled by Charterhouse, the merchant and investment banking arm of the Royal Bank of Scotland, says the industry's profit performance is expected to suffer as consumer spending falls. Overall volume growth for the sector is expected to average only 1¼ per cent a year for the next five years.

Even so, demand for healthy foods and convenience will allow manufacturers to add value to their output, compensating for overall slow growth.

The study forecasts above-average annual growth of about 3 to 4 per cent for confectionery, bread and biscuits, snacks, cereals, fruit and vegetables.

However, it also predicts volume declines of between ¼ and ½ per cent a year for meat, dairy products and oils and fats.

While food manufacturers have ultimately much to gain from the single European market in 1992, the report says non-Community companies appear better placed to benefit.

Few EC makers have strong international brands. They tend to be nationally based and have elected to diversify into new domestic product sectors.

Non-EC companies, mainly US or Swiss-based, have taken the opposite tack. They account for almost half the best-known brands in the Community, and more than 60 per cent of total equity devoted to the food business, the study says.

● Food retailers were given notice yesterday of government plans to tighten controls on food displays. Proposals for "momentous" changes in regulations governing the handling and storage of food in shops could oblige them to make significant new investments in chillers and other storage cabinets, Mr Roger Freeman, junior health minister, said in London.

**Business Forecasts for the UK Food Market to 1994, by Owen Nankivell and James Morrell. £240, additional copies £20. James Morrell Associates, 1, Paternoster Row, St Paul's. London EC4M 7DH.*

Market 'to hold sway in future'

By Ralph Atkins

THE TREND towards economic liberalisation and the market orientation of government polices in the 1980s is set to continue around the world, a leading economist said

Mr David Henderson, head of economics and statistics at the Organisation for Economic Co-operation and Development (OECD), said economic liberalisation "has emerged from the shadows, in modern dress, as one of the explicit guiding influences on economic thinking and policy."

His lecture, A New Age of Reform?, marked the 20th anniversary of the Institute for Fiscal Studies. In it he argued that attempts to extend the influence of markets and demote the role of state regulation may increasingly characterise, not only the UK and other OECD countries, but also developing countries, eastern Europe and the Soviet Union.

Looking at the evolution of social and economic policies in the 1980s, Mr Henderson found many parallels with the 19th century. In Britain, recent developments were similar to an overhaul in policies and institutions witnessed in the 1830-60 period.

Commenting on the UK, he says: "There has clearly been a move, albeit with various limitations and exceptions, in the direction of economic liberalism – just as there was in the British age of reform of the last century."

In the past five years, he says, the long-run tendency for public spending as a share of gross domestic product (GDP) to rise has been arrested in the OECD area – although it remained debatable whether a decisive break in the trend had occurred. At the same time, government borrowing as a share of GDP has fallen, reflecting an increased desire to balance budgets.

However, government revenues have continued to rise in relation to expenditure, suggesting the move towards balance has been achieved more by increasing receipts than by cutting public expenditure.

Mr Henderson pointed to two forces likely to continue the world-wide trend towards greater liberalisation – widespread disillusionment with the results of regulation and centralised planning, and the influence of the highly impressive performance of newly industrialising economies on policy in the developing world.

Nationwide slowdown in house market hits sellers

By Andrew Taylor, Construction Correspondent

A LETHARGIC housing market in much of England is making it difficult to sell homes, says a survey of more than 130 estate agents by the Royal Institution of Chartered Surveyors.

More than a third of agents said house prices had fallen in the three months to the end of April, while a further 40 per cent said prices were static. Less than a quarter reported rises.

The institution said the housing market slowdown had spread to most of the country, although some northern areas, such as Newcastle upon Tyne, Hartlepool, Hull and Leeds remained relatively buoyant.

A survey of south-west England showed 60 per cent of agents reporting price falls during the three months to the end of April.

It said that demand had slowed considerably in north-west England where most housebuilders were offering sales incentives to overcome the drag of higher mortgage interest rates. Base interest rates are 13 per cent.

Many London properties were waiting for sale, with many sellers having to reduce asking prices.

One agent in Dulwich, south London, said: "Market prices have not changed since Christmas. Flats are selling fairly well but chains are clogging up progress, particularly in the house market."

Mr Peter Miller, the institution's housing market spokesman said: "The market is slow across most of the country. In order to achieve sales sellers must be more realistic in their expectations.

"They do not seem to understand that even if they have to accept less than anticipated they can purchase in the same market at a price lower than they would have expected.

UK NEWS

Stock Exchange rebuffs call for radical changes

By Barry Riley and Nick Bunker

THE London Stock Exchange Council yesterday rebuffed proponents of radical change in the exchange's market making system by approving a draft report which is said to favour established firms rather than newer, often foreign-owned, competitors.

Only "one or two" minor amendments were ordered to the controversial Elwes Committee report on the domestic equity market before it was passed as suitable for release to member firms as a basis for consultation. It may go out later this week, and is intended to result in firm proposals next September.

Mr Nigel Elwes of Warburg Securities, chairman of the Special Committee which produced the report, said after the meeting that there had been "no change to any of the fundamental points in the consultative document."

Mr Andrew Hugh Smith, stock exchange chairman, said there had been "total unanimity" that the exchange's competing market maker system – under which the market makers provide a range of prices for the investor to choose from – had been remarkably successful.

There was no support for a shift to the internationally common order-driven system – based on the matching of investors' buying and selling orders.

"We're not the only market in the world in which the players are having difficulty in making money," he said. "The system is not perfect, but it is capable of development and refinement, and we are going in that direction."

In particular, the proposals include a scheme for an experimental limit order system called Close which will add certain features of an order-driven system to the ISE's quote-driven market, Seaq (Stock Exchange Automated Quotations).

Mr Hugh Smith described the considerably more radical Touche Ross study of the central equities market, which he had commissioned from outside consultants, as an input to the consultative process. "We are trying to bring together a range of analysis and opinion," he said.

The chief executive of one securities house said the council meeting was "not enormously contentious." He said it culminated in majority support for the view that London should continue with a competing market-maker system, but make reforms broadly along the lines in the Elwes report. "Evolution, not revolution, was the mood of the meeting," he said.

Mr Stanislas Yassukovich, of Merrill Lynch, the council's deputy chairman, is understood to have advocated bringing in some of the more radical reforms recommended in the Touche Ross report. He was "relatively isolated" at the meeting though, said one observer.

Other features of the consultative document include a plan to abandon the current division of securities into alpha, beta and gamma stocks, and a proposal to subject market makers to a regular review to make sure they are meeting their obligations.

Business chiefs on top NHS board

By Hazel Duffy

BUSINESSMEN including Sir Roy Griffiths, deputy chairman of J. Sainsbury, and Sir Graham Day, chairman of the Rover Group and Cadbury Schweppes, have been appointed to a National Health Service policy board to be set up as part of the Government's changes to the NHS.

The 12-member board will meet monthly to determine the strategy, objectives and finances of the NHS in the light of government policy.

Day-to-day management will be in the hands of the new Management Executive, headed by Mr Duncan Nichol.

Mr Kenneth Clarke, Health Secretary, will chair the policy board, with Sir Roy as deputy chairman. Sir Roy has been the leading private sector figure to help the Government draw up plans to make the NHS more management-oriented.

Other leading businessmen appointed to the board include Sir Kenneth Durham, chairman of Kingfisher Holdings (formerly Woolworth) and deputy chairman of British Aerospace, and Sir Robert Scholey, chairman of British Steel.

Sir James Ackers, a Midlands businessman, and chairman of the West Midlands Regional Health Authority, also joins the board. They will be non-executive and unpaid.

Mr Clarke has bowed to the demands of the medical profession that it should have a member on the board and appointed Sir Donald Acheson, the Government's Chief Medical Officer.

The British Medical Association said: "We would have preferred to see far more clinicians from the profession included on the board."

Barristers call for cameras in the courtroom

BARRISTERS yesterday called for a change in the law to allow the televising of court proceedings in England and Wales, writes Robert Rice.

The Bar, a professional body of barristers, urged the Government to set up an Advisory Committee to establish pilot projects for the broadcasting of civil and criminal trials and appeals. The recommendations came in a report arising from the first major inquiry into the issue in Britain since the introduction of a statutory ban on cameras in courts in 1925.

The committee, which would be made up of judges, lawyers, psychologists, broadcasters and senior government representatives, would review the present coverage of court proceedings and laws relating to them and report to the Government.

It would also be responsible for making recommendations as to which courts should have permanent, remote control cameras installed, and whether the broadcasting of courts should be carried out by broadcasters or by an independent contractor supervised by Government.

The report suggests that a video recording should also be considered as the most cost effective and most accurate form of official court record. All new court buildings should be designed with broadcasting and the sitting of cameras in mind.

Mr Jonathan Caplan, chairman of the Bar working party, said yesterday that televising the courts would increase public understanding of, and confidence in, the legal system. This was important since the courts frequently made decisions which affected everyday life.

Although stills photography was not within the working party's brief, the report accepts that the proposed changes would make it difficult to exclude photographers and radio, and it recommends further consideration of the matter.

Courts edge towards the limelight

Robert Rice looks at pros and cons of prime time legal proceedings

FOR MORE than 60 years, Britain's courts have shied away from the flashing lights and searching lenses of camera-toting journalists. But now, in an inquiry unprecedented in the UK, barristers are examining the possibility of televising the courts.

Photography of any kind was originally banned in England and Wales by the 1925 Criminal Justice Act, with no exceptions. Those guardians of public morality believed that stills photographs in newspapers could only excite an unsavoury curiosity and give little public benefit in return.

Although, at the time, television was merely a blurred image in John Logie Baird's mind – it was not until 11 years later that the BBC launched its first television service – modern courts have interpreted the Act as applying to the box; and because it was in force before the arrival of television, the issue has never been debated in Parliament.

Countries used to tuning in to the latest in court cases – Australia, Canada, the US, France, Italy, the Netherlands – are almost uniformly in favour of it. There have been relatively few complaints.

Furthermore, fears voiced by pessimists, of the parliamentary and legal risks of televising proceedings, have invariably been shown to be without foundation. In so far as risks remain they are capable of being controlled, says the Bar, the barristers' professional body conducting the inquiry.

In their visits to the US to examine existing systems, the Bar's working party discovered, for example, that many judges who were initially either hostile or sceptical had changed their minds as a result of participating in televised proceedings.

The main benefit of televising court proceedings is highlighted in a recent survey done by the BBC which shows that 70 per cent of adults in the UK learn most of what they know about current affairs from television. Advocates of the camera in court believe that television would greatly assist in informing and educating the public, and in enhancing confidence in the legal system and its procedures.

Against this must be balanced fears that television could trivialise court proceedings and that the presence of cameras would affect the behaviour of judges, jurors, witnesses and advocates.

Again, the Bar says, the evidence from abroad suggests that all these fears are groundless. The trivialisation argument is an emotive and misconceived view of television it says. Television documentaries are responsible and exacting forms of journalism.

Technological advances are such that remote control cameras mounted on courtroom walls can be totally unobtrusive. The Bar quotes the literally hundreds of pilot studies, research projects and surveys on the subject to show that none has concluded the presence of cameras affects the behaviour or attitudes of the participants.

But, the Bar notes, there are some areas of risk which require strict rules of coverage. The working party envisages that television might be used by broadcasters for reports in news programmes, regular late night summaries during trials of public interest, very occasionally, the live coverage of a trials of public importance, and for documentaries and educational programmes.

An application to televise any proceedings would have to be obtained from the trial judge before the hearing. In deciding whether to allow it, the judge should take into consideration the type of case involved, whether coverage would cause harm to any participant, whether it would interfere with law enforcement, whether the proceedings would involve lewd or scandalous matters, and the objections of any of the participants.

The trial judge would also have the discretion to exclude the camera at any stage during the trial – much as is done now with print journalists – although the Bar stresses that exclusion should be exercised only if it is necessary in the interests of justice or a fair trial. Both the original application and the use of discretion during the trial would be subject to a right of appeal.

And, to ensure that no enterprising media moghuls see profit in the court celluloid, use of the material would be limited to news, documentaries and educational programmes. Restrictions would also be put on what could be filmed, in the interests of safety and objectivity.

Within the framework of these rules, however, the Bar believes the time has come for a careful and controlled experiment in the English courts.

In Brief

UK trade deficit 'to worsen in 1988'

BRITAIN'S current account deficit will be worse this year than in 1988, says a survey of independent economists' forecasts compiled by the Treasury, writes Ralph Atkins.

On average, the 22 forecasting groups covered expect a deficit of £15.5bn in 1989, compared with £14.7bn in 1988. Only a slight improvement, to £13.5bn, is expected in 1990.

A further fall to 4.9 per cent is forecast for the last quarter of next year.

Forecasters covered by the survey include Oxford Economic Forecasting, the Confederation of British Industry and the Organisation for Economic Cooperation and Development as well as City securities houses.

Inflation revision

The Treasury revised inflation estimates upwards, saying it expects the annual inflation rate to peak at about 8.5 per cent during the summer months, as compared to an estimate of 8 per cent in March, before falling back. The recent rises in petrol prices were the main factor behind the Treasury's change in view.

Slowdown pointer

The Central Statistical Office said UK cyclical indicators point to a slowdown, with the longer leading index, which looks a year ahead, fell in April. This continued an almost uninterrupted decline since July 1987.

Electricity chief named

Professor Stephen Littlechild, head of industrial economics and business studies at Birmingham University, has been named Director General of Electricity Supply, and will head a team responsible for regulating the industry after privatisation.

Rail unions meet

Leaders of the three rail unions, representing more than 100,000 British Rail staff, have agreed to meet on Friday in an attempt to avert a damaging split developing over pay and bargaining policies.

Post Office revamp

The Post Office is planning to implement a multi-million pound restructuring of its parcels business following widespread dissatisfaction with the service after last year's postal strike.

Airport costs rise

The cost of expanding Stansted Airport, Essex, into London's third airport has risen by almost £100m to £390m, according to figures released by BAA, the UK airport authority. BAA said the extra cost was accounted for by inflation and cost rises.

Clowes reporting ban

The Serious Fraud Office obtained a further court order preventing the reporting of civil proceedings in the Barlow Clowes investment case. This was to prevent a "substantial risk of prejudice" in the trial of Mr Peter Clowes and three of his associates.

Plans to encourage toll roads unveiled

By Andrew Taylor, Construction Correspondent

PLANS to make it easier for developers to build privately financed toll roads in Britain were announced yesterday in a consultation paper published by Mr Paul Channon, Transport Secretary.

Mr Channon invited bids from private companies to increase road capacity between Birmingham in the Midlands and Manchester in the north west and to construct a Birminghan northern relief road.

The combined cost of the projects, which would involve separate competitions, could be about £700m, said Mr Channon.

Most toll roads in Britain are river crossings, such as the Dartford Tunnel under the River Thames or the Humber Bridge. Other ambitious schemes have been proposed but have still to progress. These include a privately financed motorway running east-west under central London and a privately financed East Coast motorway from Newcastle to Cambridge.

Plans to encourage greater private sector investment in roads received a cool reception from the construction industry yesterday.

The Government is proposing to simplify procedures for authorising privately financed roads. These at present require changes in the law. In future the Transport Secretary would be able to authorise schemes, subject to a public inquiry.

The consultative paper also proposes to:

- Allow private developers to set their own tolls on routes other than river crossings, where there was sufficient competition from other roads.
- Permit government to acquire land compuslorily for developers.
- Ease the rules by which individual private-sector schemes are judged on value for money against publicly funded road schemes.
- Permit developers to develop car-only toll lanes on busy motorways.

Construction companies said that the proposals could lead to higher costs and even worse planning delays than at present if public inquiries were to be held into most schemes.

The Federation of Civil Engineering Contractors, which represents most of Britain's road-building companies, said the discussion document containing the proposals "does not on first reading seem to increase by much the opportunities for involving private finance on terms that would be attractive to contractors or bankers."

Law Lords told to 'disqualify themselves' from Lonhro case

By Raymond Hughes, Law Courts Correspondent

FIVE Law Lords were yesterday told that they should disqualify themselves from hearing the unprecedented case in which Lonrho, the international conglomerate and The Observer newspaper, which it owns, are accused of being in contempt of the House of Lords.

Lawyers for the company, headed by Mr "Tiny" Rowland, and three ether Lonrho directors argued that as the five law lords had initiated the contempt proceedings they would be seen as acting as "prosecutor, judge and jury" in their own case.

It was, said Mr Alan Rawley, barrister acting for Lonrho, all to do with justice not only being done but being seen to be done.

"The appearance of justice would be violated by this proceeding," Mr Rawley argued.

Mr Gordon Pollock, barrister acting for Mr Rowland, Sir Edward Du Cann, Lonrho's chairman, and two other directors, Mr Paul Spicer and Mr Robert Dunlop, argued that if the five law lords heard the case his clients would inevitably fear that they might not get a wholly fair trial.

Both counsel argued that the Law Lords should either hand the case over to a different set of Law Lords or leave it to the Attorney General to decide whether to start contempt proceedings in the Crown Court.

The case is the first involving an alleged contempt of the Law Lords.

The alleged contempt relates to the publication on Thursday, March 30 of a special issue of The Observer containing extracts from a leaked copy of the report by Government inspectors into the 1985 takeover of the House of Fraser stores group by the Egyptian Al-Fayed brothers.

Copies of the newspaper were sent to four of the five Law Lords who were due to hear Lonrho's final attempt to force Lord Young, the Trade and Industry secretary, to publish the report and to refer the takeover to the Monopolies and Mergers Commission. The Law Lords last week dismissed Lonrho's appeal.

Today the same five judges – Lord Keith, Lord Templeman, Lord Griffiths, Lord Ackner and Lord Lowry – sat in the Moses Room in the House of Lords beneath an oil painting of Moses Bringing Down The Tables of the Law to the Israelites, to begin hearing the contempt case.

In addition to Lonrho and its four directors, The Observer and its editor, Mr Donald Trelford, and two lawyers who have acted for Lonrho in the Fraser litigation, face the contempt allegations.

The possible penalties they face are imprisonment, fines and sequestration of assets.

Asking the five law lords to "recuse" themselves (to reject themselves as being prejudiced) from the case, Mr Rawley reminded them that in their judgment last week they had spoken of Lonrho having used "bullying" and "intimidatory" tactics".

He also reminded them that the European human rights convention guaranteed people "a fair trial before an impartial tribunal."

Both Mr Rawley and Mr Pollock singled out Lord Ackner for special mention because of a "professional and friendly" relationship years ago between his father, who had been a dentist, and Mr Rowland.

They had lunched and dined together and a copy of a portrait of the father had, after his death, been given to Mr Rowland as a memento by Lord Ackner's brother, said counsel.

Lord Ackner, who said he did not know and had never met Mr Rowland, said many copies had been made of his father's portrait and sent as Christmas cards or calendars to friends.

Mr Pollock said that Mr Rowland did not think it "seemly" that Lord Ackner should sit on a matter in which Mr Rowland was accused of a crime.

The hearing continues today.

FT LAW REPORTS

Fish appeal awaits Europe decision

REGINA v SECRETARY OF STATE FOR TRANSPORT, EX PARTE FACTORTAME LTD AND OTHERS

House of Lords (Lord Bridge of Harwich, Lord Brandon of Oakbrook, Lord Oliver of Aylmerton, Lord Goff of Chieveley and Lord Jauncey of Tullichettle): May 18 1989

THE COURT has no power under English law to suspend the effect of UK legislation *pending determination of* questions of its incompatibility with EC law by the European Court, but there may be a prevailing obligation under EC law to protect putative EC rights having direct effect which have been claimed and are seriously arguable. Accordingly the English court cannot grant or refuse interim relief pending the reference on compatibility without first seeking a preliminary ruling from Europe as to any obligation it may have to protect putative rights.

The House of Lords so held when adjourning an appeal by Factortame Ltd and other owners of fishing vessels, from a Court of Appeal decision (*FT, April 5 1989*) setting aside an interim order to restrain the Secretary of State for Transport from enforcing licensing legislation against them pending reference of questions to the European Court of Justice in judicial review proceedings.

LORD BRIDGE said the appellants were companies incorporated under UK law and their directors and shareholders, most of whom were Spanish nationals.

The companies owned or managed 95 deep sea fishing vessels which, until March 31 1989, were registered as British under the Merchant Shipping Act 1894.

Of those vessels 53 were orginally registered in Spain and flew the Spanish flag. They were registered under the *1894 Act from* 1980 *onwards*. The remaining 42 vessels, purchased by the companies since 1983, had always been British.

The statutory regime governing the registration of British fishing vessels was radically altered by Part II of the Merchant Shipping Act 1988, and the Merchant Shipping (Registration of Fishing Vessels) Regulations 1988.

Section 14 of the Act provided that a fishing vessel should only be eligible for British registration if it was British-owned, and controlled from within the UK. When owned by a UK company or companies it was British-owned if at least 75 per cent of the shareholders and directors were British residents domiciled in the UK.

Fishing vessels previously registered as British under the 1894 Act were required to re-register under the 1988 Act, subject to a transitional period prescribed by the Regulations, which permitted the previous registration to continue until March 31 1989.

The 95 fishing vessels failed to satisfy the section 14 registration conditions, by reason of being managed and controlled from Spain or by Spanish nationals, or by reason of the proportion of share ownership in Spanish hands.

The companies applied for judicial review to challenge the legality of the 1988 legislation on the ground that it contravened EC law by depriving them of directly enforceable community rights.

The Secretary of State's defence was that EC law did not restrict a member state's right to decide who was entitled to be a national of that state or what vessels were entitled to fly its flag; and that the new legislation conformed with EC law and was designed to achieve the purposes of the EC common fisheries policy.

The application for judicial review was heard by the Divisional Court. The companies argued they *had a number* of EC rights including the right not to be discriminated against on grounds of nationality, and the right to establish a business anywhere in the EC. The Secretary of State argued that the legislation merely gave effect to the common fishing policy and was therefore wholly consistent with EC law.

The Divisional Court decided to request a preliminary ruling from the European Court of Justice on substantive questions of EC law to enable it to determine the application.

By way of interim relief, it ordered that pending final judgment the 1988 legislation should be disapplied and the Secretary of State restrained from enforcing it in respect of the companies, so as to enable their vessels to continue registration under the 1894 Act.

The Court of Appeal allowed an appeal by the Secretary of State, and set aside the order for interim relief.

On the present appeal the only issue related to the grant of interim relief.

It was estimated that the preliminary ruling would not be given for two years. The companies claimed that unless they were protected during that period they would suffer irreparable damage. The vessels were not eligible to resume the Spanish flag and fish against the Spanish quota.

The case differed from the familiar situation where the *facts* on which a *threatened* right depended were in dispute and the court granted or withheld interim relief on the basis of balance of convenience. Here the dispute on which the existence of threatened rights depended was one of law not fact, and required a preliminary ruling from Europe.

It was common ground that in so far as the companies succeeded before the European Court, their EC rights would prevail over British legislative restrictions. It was difficult to envisage a parallel situation arising out of the disputed construction of an English statute not involving EC law.

The court might in its discretion properly decline to grant an interim order in aid of disputed legislative measures, where it was necessary to invoke its jurisdiction to secure their enforcement (see *Hoffmann-La Roche [1975] AC 295*).

But the 1988 provisions required no assistance from the court for their enforcement. Unambiguous in their terms, they simply stood as a barrier to the vessels' continued enjoyment of the right to British registration.

In that situation, the difficulty confronting the companies was that the presumption that an Act of Parliament was compatible with EC law unless and until declared to be incompatible, must be at least as strong as the presumption that delegated legislation was valid unless and until declared invalid.

If the companies failed to establish the rights claimed before the European Court, the effect of the interim relief would be to have conferred on them rights directly contrary to Parliament's will, and to have deprived British vessels, as defined by Parliament, of the enjoyment of a substantial proportion of the UK quota of fish protected by the common fishing policy.

As a matter of English law the court had no power to make an order which had those consequences.

It followed that the appeal must be dismissed unless there was some overriding principle of European Court jurisprudence which compelled national courts, whatever their own law, to protect putative EC rights once they had been claimed and were seen to be seriously arguable.

The companies submitted that irrespective of the position under national law, there was an overriding principle of EC law which imposed an obligation on the national court to secure effective interim protection of EC rights with direct effect, where a seriously arguable claim was advanced.

None of the authorities on which the companies relied determined the question of providing interim protection of putative and disputed EC rights before their existence had been established. The decisions were all made by reference to rights which the European Court was then affirming, or the existence of which had already been established by its previous decisions.

EC law embodied a principle which appeared closely analogous to the English law principle that delegated legislation must be presumed valid unless and until declared invalid. In *Granaria [1979] ECR 623* the European Court held that every EC regulation must be presumed valid until found invalid by a competent court.

On the other hand, in *Firma Foto-Frost [1988] 3 CMLR 57,80* the European Court said "the rule that national courts may *not themselves declare Community* acts invalid may have to be qualified . . . in the case of . . . application for interim measures".

It was not open to the English court to decide whether EC law obliged it to make an interim order protecting putative rights claimed by the companies.

It was necessary to seek a preliminary ruling from the European Court. It was proposed that questions should be referred as to whether *inter alia* where a party claimed EC rights which arguably existed and had direct effect, the national court had power to give interim protection by suspending the application of national measures pending a preliminary ruling.

The appeal was adjourned until the European Court gave a preliminary ruling on the questions formulated.

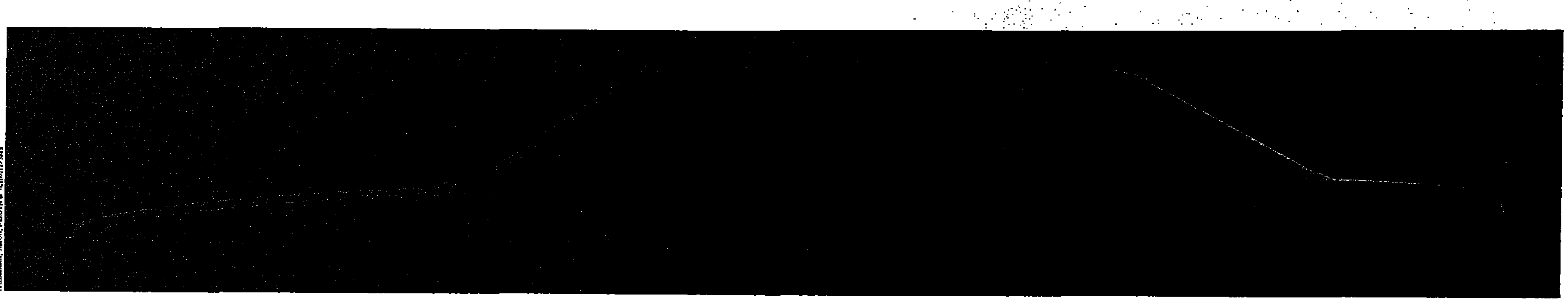
Their Lordships agreed.

For the companies: David Vaughan QC, Gerald Barling and David Anderson (Thomas Cooper & Stibbard)
For the Secretary of State: Sir Nicholas Lyell QC, John Laws and Christopher Vadja (Treasury Solicitor)

Rachel Davies
Barrister

“Art
will always
be Art.”

Johann Wolfgang von Goethe



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MANAGEMENT: The Growing Business

Closer links with Paris; and more research into the US

Charles Batchelor takes a second look at Labelking's export efforts

Chris King, managing director of Labelking, a south London printer of adhesive labels, has been working on his plans to break into markets on the Continent since his first meeting with John Drury, an export development adviser* from the London Chamber of Commerce.

The owners of the French label printer with which King hopes to establish a joint venture in Spain have visited Labelking's Herne Hill factory and have agreed to carry out joint research of the Spanish and Portuguese markets for adhesive labels.

"They were not as far ahead with this as I thought they would be," says King. "We have agreed we will each carry out research and compare notes in June."

The French company, which is based in Paris, is run by two partners in their late 40s, employs about 45 people and produces sales of about £4m. This compares with Labelking, which employs 32 people in Herne Hill and Boston, Lincolnshire, and which has projected sales this year of £4.5m, mostly to food manufacturers supplying the big supermarket chains.

King is also still in touch with some of the 30 French companies which responded to a letter he sent out last year when he first launched his campaign to break into mainland Europe and he is cultivating these contacts so as not to restrict his options to just one partner.

But links with the Paris company are growing closer. Both sides have agreed to exchange their production managers for a few days and may also swap sales staff. "There is no signed agreement but we get on well," comments King.

At his second meeting with King, Drury produces a Department of Trade and Industry report on consumer markets in Spain. Drury, who worked overseas for GKN, the engineering group, for many years, is one of a team of 31 advisers who have been taken on by the DTI to help growing companies export. The advisers work through local organisations such as the London Chamber of Commerce.


Ashley Ashwood

Chris King: receiving information and help from a DTI adviser

The two men discuss what information Labelking needs if it is to break into the Continent and into the US, where King also sees good prospects. King says he needs a complete list of printers in France, Spain and the US with details of their turnover and the specific products they make.

Drury says he will look at the DTI and London Chamber databases. Information on the US may come from a commercial database but that could prove expensive.

The two men turn to the subject of the US. King has already carried out quite a bit of reconnaissance and has hit upon the south-eastern states as a potentially lucrative market. A population of about 30m people is served by only five or six printers, none of them very big, says King.

But breaking into the US market will mean Labelking almost certainly having to increase its product liability insurance cover to take account of the more litigious business climate in the US. For example, the company will have to take account of far tougher regulations governing matters such as the contents of adhesives used on food products.

If King's plans for a factory in Spain fall through, Continental markets could, at a pinch, be served by exports from the UK. But the US is too far away for Labelking to supply from Britain. Label printers have to work closely with their customers and are expected to deliver very quickly. A few years ago customers would be satisfied if they got their labels within two weeks; now many expect delivery within two or three days.

King is considering two options for getting into the US market. He could start supplying US customers from Britain for the first few months to build up a relationship with them. Once he had sufficient business to justify opening a US factory he would switch production across the Atlantic. But the high cost of air freight — sea delivery would be too slow — would mean that exports to the US from Britain would inevitably be loss-making.

"Even so it would be cheaper to supply at a loss from here for three to six months than to instal a machine in the US which stands idle while we get the business," comments King.

The alternative strategy is for Labelking to form a joint venture with an existing US printer, possibly a company run by someone approaching retirement who would stay on on a profit-sharing basis for a few years.

For either of these schemes to work King first has to cost his labels for delivery in the US, suggests Drury. He wants King to draw up a dummy price list for US customers.

This suggestion throws King slightly. "It's not a standard product," he counters. "We would have to look at the market, at the major supermarkets, and see what advantages we could offer. We would have to work out what our price would have to be in, say, Tampa, to gain business."

Drury persists. "Produce an average order with a packing specification," he says. "Give that to an air-freight broker to work out a price for delivery to say, Miami, in sterling. Then convert that to dollars at what you think is a safe rate. Make the freight forwarder work for you. Most will do your export documentation for you. Until you start talking delivered language people will be polite but they will have nothing to go by."

King must also make sure that he gets paid for deliveries, Drury says. Customers in the US will expect to deal on open account — that is, Labelking makes delivery and is then paid within the agreed 30 or 60 days. This method is convenient for the customer but leaves the supplier with no guarantee that he will be paid, so customers must be vetted carefully first, Drury warns.

"This is a new area for us," says King. "This is not something I have given a lot of thought to. Our UK customers are big companies and the last bad debt we had was for £3,000 two years ago."

After the second 1½ hour meeting King's plans for selling overseas appear to be firming up in response to Drury's practical suggestions. The two men agree to meet in a month's time.

**The export development adviser scheme involves an initial free meeting with the adviser followed by as many hours, charged at £15 an hour, as both sides feel are needed. The first article in this series appeared on May 2. Future articles will follow Labelking's progress into exporting.*

Local authorities hampered in their attempts to help

By Charles Batchelor

Local authorities around Britain provide a wide range of services for the growing business but serious shortages of funds and of land and premises prevent them from playing a more effective role.

This is the conclusion of a survey* of more than 100 county, district, borough and city councils carried out by accountants Deloitte Haskins & Sells and Business in the Community, the umbrella organisation of the 300 enterprise agencies in Britain.

Seventy one per cent of the authorities polled provided information and advice services for growing firms, including referring them on to other specialised help agencies; 70 per cent provided land and premises while 46 per cent backed their local enterprise agency.

Financial help in the form of wage subsidies, loans and rent and rates relief was provided by 45 per cent of authorities; training or liaison with training agencies came from 37 per cent while 23 per cent carried out promotional or marketing activities for their areas.

The main difficulties faced by the authorities in providing help were a lack of finance; government controls on capital spending which prevented them spending the proceeds of the sale of council houses; and a shortage of manpower to pursue economic development activities.

Just over a quarter of councils said they faced a shortage of land on which to build workshops for rent.

Even in economically depressed areas, pressures to use the land for more lucrative developments mean little is available for the smaller firm.

The councils also saw the government role as constraining rather than encouraging economic initiatives, partly because the councils had no statutory powers to carry out economic development and no formal recognition of their role in this field.

This in turn led to confusion over the role of the various agencies involved in economic development at a local level.

To ease these problems the authorities suggested relaxing spending controls to allow investments in reclaiming industrial land and providing new buildings.

They also want action taken to increase the supply of industrial land. This would include stronger planning policies, a requirement for vacant premises to be reported through the rating system and a change in the rules to promote the joint public and private sector development of land owned by local authorities.

The various agencies involved in economic development should co-operate more closely, possibly by bringing government, local authority and enterprise agency offices under one roof in Business Development Centres, the councils urged.

**Local Authority Assistance to Growing Business.*

Small firms encouraged to tender

Attempting to sell to government departments can be a nightmare for the growing company. Tracking down the right official can take hours on the telephone while filling in the official forms can defeat all but the most determined. Many businesspeople simply assume that the government only deals with large suppliers.

It is to overcome these problems and misconceptions that the Government is making greater efforts to persuade its own purchasing officers to buy more from Britain's small businesses. Some government departments such as the Ministry of Defence have been encouraging small firms to tender for contracts for the past three years but more needs to be done.

John Cope, small firms minister, last week launched a new booklet entitled Think Big Buy Small to help the Government's 8,000 purchasing officers deal with small firms. He also unveiled a revised and expanded version of Tendering for Government Contracts* which advises small business owners on how to win government orders.

The Government estimates that individual departments spend between 2 and 25 per cent of their budgets with small firms though it does not yet have the management systems in place to measure this figure accurately.

Non-military spending by government departments amounts to £6.5bn a year while the Ministry of Defence spends £8bn a year — £1bn of which is believed to go to small companies. The Government does not have a rigid definition of a small firm though a manufacturing company with fewer than 200 employees is usually regarded as "small".

The Government was not out to promote small firms if it meant taxpayers money would be wasted, Cope said, but in many instances small businesses could provide better value for money.

In dealing with government departments, however, small firms face particular difficulties. They rarely know which department will be interested in their products or how to find the right contacts. Small firms are put off by the need to fill in forms. Purchasing officers, meanwhile, often prefer to stay with a known list of large suppliers because this makes their lives easier. Simplified forms of "model" contracts are currently being devised.

But progress is being made. The Department of Employment, which spends 10 per cent of its annual procurement budget of £50m with small firms, used a small Bradford-based company to supply some of the forms it needed. This company was not only cheaper than the previous supplier but it made monthly deliveries which reduced the amount of storage space needed in local offices and resulted in dramatic savings in rental costs.

**Both booklets are available free from Department of Employment, Small Firms Division, Steel House, Tothill Street, London SW1H 9NF. Tel 01-273 4746.*

Charles Batchelor

In brief...

■ A series of courses designed to help the small fashion business is to be held at the London College of Fashion. The courses, which will be held in the evenings, will look at subjects including Successful Fashion Retailing, Promoting Your Products and Computers in the Fashion Business. A separate course is also to be held on the theme of Marketing in France.

Contact Judy Bhojani: Tel 01-487 2835.

■ A directory of training and advisory services for small businesses in Scotland has been produced by Stirling University's Scottish Enterprise Foundation.

The Enterprise Directory, which will be updated annually, provides information on services offered by local authorities, universities and colleges, government agencies and local enterprise trusts.

Available from Small Business Resource Centre, Scottish Enterprise Foundation, University of Stirling, Stirling FK9 4LA. Tel 0786 73171. £9.95.

■ A software package which allows users to simulate business situations, to carry out research on business ideas and to locate sources of help has been created by Project North East, a Newcastle upon Tyne enterprise agency.

BISON (Business Information System on Disk) was started with sponsorship from Esso as an on-line database available through a private view data service but it has now been made available on disk.

Bison, which is intended for small business and employment advisers, allows users to think about self-employment, to obtain information without the need to see a business counsellor and to go over issues raised during training at the user's own speed.

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TECHNOLOGY

Researchers isolate the enemy within the human cell

Clive Cookson reports on a potential breakthrough in the field of anti-viral medicine

Scientists at Oxford University, backed by funding from the UK Government and pharmaceutical companies, are laying the research foundations for a new generation of anti-viral drugs.

The Virus Molecular Biology Group hopes to rise to one of the greatest challenges of late twentieth century medical research – to develop medicines that work against viruses as effectively as antibiotics (discovered in the 1940s and 1950s) kill off bacteria.

The Oxford researchers aim at first to produce a treatment for Aids and for virally induced cervical cancer. The technique could be extended later to other viruses, ranging from those causing fatal tropical fevers to influenza.

The 20 scientists in the group, directed by the wife and husband team of Susan and Alan Kingsman, are developing new ways of safely "switching off" viruses after they have invaded human cells. The group has £1m funding over four years from Glaxo (Britain's biggest pharmaceuticals company), British Biotechnology (a small venture set up in 1986) and the Government.

At present there are very few effective anti-viral drugs – and they tend to have unpleasant side effects. The best known example is AZT, which prolongs the life of Aids patients but at the same time damages their red blood cells.

The reason why viruses are so difficult to tackle is that they bury themselves inside human cells and use the cells' metabolic processes to grow and reproduce. Any chemical that attacks the virus is liable to damage the host cell too.

Bacteria, on the other hand, are independent cells with their own metabolic pathways. Antibiotics can therefore kill bacteria relatively easily without destroying the human cells around them.

The Oxford group's research goal is to answer the question: how do viruses invade human cells and dominate them to cause serious diseases? They are concentrating on two types of virus which insert their own genetic material (DNA) directly into human chromosomes. One is HIV, which causes Aids, the other is papilloma virus, which causes warts and is associated with cervical cancer.

The scientists are using the latest techniques of molecular biology to isolate individual genes and their protein products from HIV and papilloma virus. They have found a way to force a viral gene to make large quantities of its protein in a yeast cell. The protein is then purified and inserted into another living cell where its effects can be studied in detail – the frog's egg is particularly convenient.

The Kingsmans are achieving the first promising results with this technology. They have purified a protein, known as TAT, which plays an important role in the life cycle of HIV. By measuring its effects in different cells, they are beginning to identify TAT's essential properties.

The main focus of the Oxford research is a class of viral protein known as "switch protein". Its role is to recognise and switch on "target genes" in the virus. This has to happen before other genes can be activated to produce core and coat proteins (which provide the structure and shape of the virus) and enzymes (which enable the virus to grow inside its host cell).

Without its switch proteins, the virus is inactive. Once the Oxford scientists understand exactly how these proteins work, they and their Glaxo and British Biotechnology colleagues will design drugs with the right molecular structure to lock on to and remove the switch proteins of HIV and papilloma virus.

The group has powerful molecular modelling technology (a Vax computer from Digital Equipment linked to Transputer chips from Inmos) for designing new compounds. But it will also screen chemicals from natural sources, such as plants, to see whether any of them block the switch protein in genetically engineered tests.

The absence of long-term side effects would be very important in an anti-HIV drug

New techniques of drug delivery may also be required to get these chemicals into human cells.

Alan Kingsman says that the resulting intracellular drugs would be so specific that they would react only with the switch protein. All other chemicals in the cell would be unaffected and so there should be no side effects.

The absence of long-term side effects would be extremely important in an anti-HIV drug, because a patient might have to continue taking it for life to prevent symptoms of Aids appearing, he says. "HIV buries itself in the human chromosome and it will be extremely difficult to find a way of getting it out of there. It is easier to design drugs to stop it reproducing itself from that genetic template."

The Kingsmans' approach is different from that followed by most anti-viral researchers, who are concentrating on chemical building blocks of DNA called nucleosides. The common research strategy is to make "nucleoside analogues" – false building blocks which are taken up by the virus's growing DNA chain and then jam up the growth process by interfering with a key enzyme.

The trouble with drugs based on nucleoside analogues, such as AZT, is that they are liable to interfere with other processes in the host cell, causing side effects. They are also less effective in stopping the virus than the Kingsmans expect drugs based on switch proteins eventually to become. Even the most successful drug of this type, acyclovir, which was developed by Wellcome to treat herpes viruses, is not as active as doctors would like.

Most of the government funding for the Oxford project is being channelled through the Link programme, which promotes research collaboration between universities and industry. Altogether 360 Link projects are under way.

According to Peter Baker, head of the biotechnology unit at the Department of Trade and Industry, the collaborative arrangement between Glaxo and British Biotechnology is exceptional for two reasons. "It is unusual for a large and a small firm to work together like this, because the small one is afraid of being gobbled up. It is also unusual for two drug companies to collaborate. Pharmaceutical research is a very secret world and collaboration is almost counter-cultural."

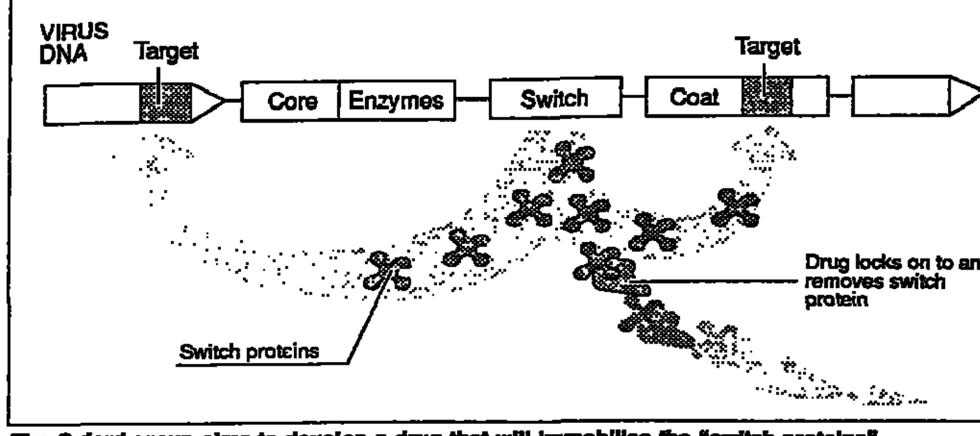
The terms of the agreement between the two companies and the Oxford research group are complicated. The companies are putting up the same amount of money – £200,000 each over four years – but Glaxo will have first claim on the results of research applying to papilloma virus and British Biotechnology will have priority over the HIV research. In addition, there will be a common core of research which the companies will have equal rights to exploit.

Although the Oxford research is aimed in the first instance at HIV and papilloma virus, the results should provide useful ammunition against other viruses for which there is now neither an effective treatment nor a vaccine.

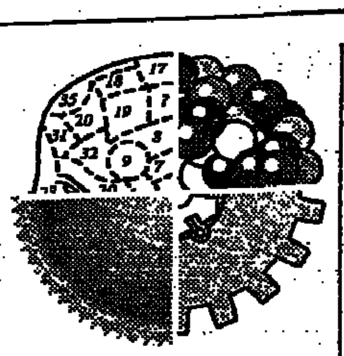
Some virologists believe that there is a serious risk that another new virus – like HIV but more infectious – will sweep out of the tropics and cause a world-wide epidemic.

Even if such a melodramatic scenario fails to come to pass, the Oxford research could play a vital role in the quest for cures for diseases as mundane, but ubiquitous, as the common cold.

A way to "switch off" viruses



The Oxford group aims to develop a drug that will immobilise the "switch proteins" before they can activate the "target genes" in the viral DNA. The virus will then be unable to make the enzymes and the core and coat proteins which it needs if it is to grow and reproduce



WORTH WATCHING

Edited by Geoffrey Charlish

Quick prints from a TV screen

HITACHI Denshi (UK), part of the Japanese electronics company, has launched a colour video printer which it believes will have applications in retailing, security and medicine.

The VY-25E produces a clear colour print of images seen on a television or computer screen. Each print on plain paper costs 0.5p.

Hitachi Denshi foresees point-of-sale applications, allowing shoppers to take away a picture of something being promoted on a television monitor. The system could also be used to take prints from a security video camera for distribution to the police, or to capture "stills" from medical television cameras during operations.

The user simply presses a button when he or she sees an image that he wants to preserve. A frame of the television signal is captured, stored and processed so as to drive the print mechanism, which is a thermal dye transfer system.

Any number of copies can be made by re-reading from the store.

Each print takes 110 seconds to appear and measures 77 mm by 97 mm. If desired, four smaller pictures per sheet can be printed. Adhesive backed or special "iron on" paper can be used for mounting the pictures on passes or badges.

Optical fibre to find hot spots

BATTELLE, an international research organisation, is working on an optical fibre temperature sensor that can be used in a high-voltage environment. Normally this would make conventional electrical methods either unreliable or difficult to implement.

Since optical fibres are neither electrical nor made of metal, nearby high voltage conductors cannot induce unwanted currents that interfere with temperature measurement.

The fibre sensor, being developed for the Electric Power Research Institute in California and Consolidated Edison in New York, will be able to locate hot spots in big public power generators to within 100 mm. Operators then make adjustments to avoid a catastrophic failure.

Light pulses moving down a fibre are partly scattered along the fibre wall and some of the light is sent back to the source. The degree of scattering depends upon what is beyond the fibre surface and Battelle is using a special polymer cladding which is temperature sensitive.

If a hot spot occurs in the generator's conductors, increased scattering occurs at that point. The light pulses are partially reflected to give a detection system similar to radar.

The sensor could also be used to spot incipient cable faults and fires in large buildings, through a plan of the building displayed on a computer screen.

Quest for CD-I standards

PHILIPS, the Dutch electronics group, is joining forces with the Japanese electronics companies, Matsushita (Panasonic, Technics) and Sony, to promote and market a technology called compact disk interactive (CD-I).

CD-I is the next stage beyond CD-Rom (compact disk read only memory, which stores data and graphics only). It allows sound, text, still images, computer graphics and limited amounts of video to be stamped on to a five-inch optical disk, which can be accessed via a special player resembling a personal computer.

The disk does not simply play through, but is programmed so that questions can be asked, choices made and instructions followed via the screen display.

Wide markets have been predicted by Philips in entertainment, education and the provision of information. But there has been a danger that major manufacturers might move in different software directions, so that one maker's disk might not be useable on another's machine. The tripartite agreement should avoid a repeat of the VHS/Beta standards confusion that arose in the early 1980s with video recorders.

Players are likely to appear on the market in the first half of next year and publishers, such as Rand McNally, Grolier and Time-Life, are already preparing CD-I titles.

Filtering through stainless steel

MARSTON Palmer, of Wolverhampton in the UK, has developed fluid filtration elements, made from very fine stainless steel felt, which are claimed to have six times the dirt-holding capacity of traditional filter media.

They can also be up to 80 per cent smaller and they operate from extremely low temperatures up to 150 deg C. The size of particles that the filters will remove can be as small as three microns (millionths of a metre).

Metallic felt is a flexible material which must be supported to withstand operating fluid pressure and to prevent the felt being distorted. The company has developed a patented method which ensures that all the tiny steel "hairs" are bonded to each other in layers that are supported by spacers. This is said to give complete rigidity.

Locking out the computer hacker

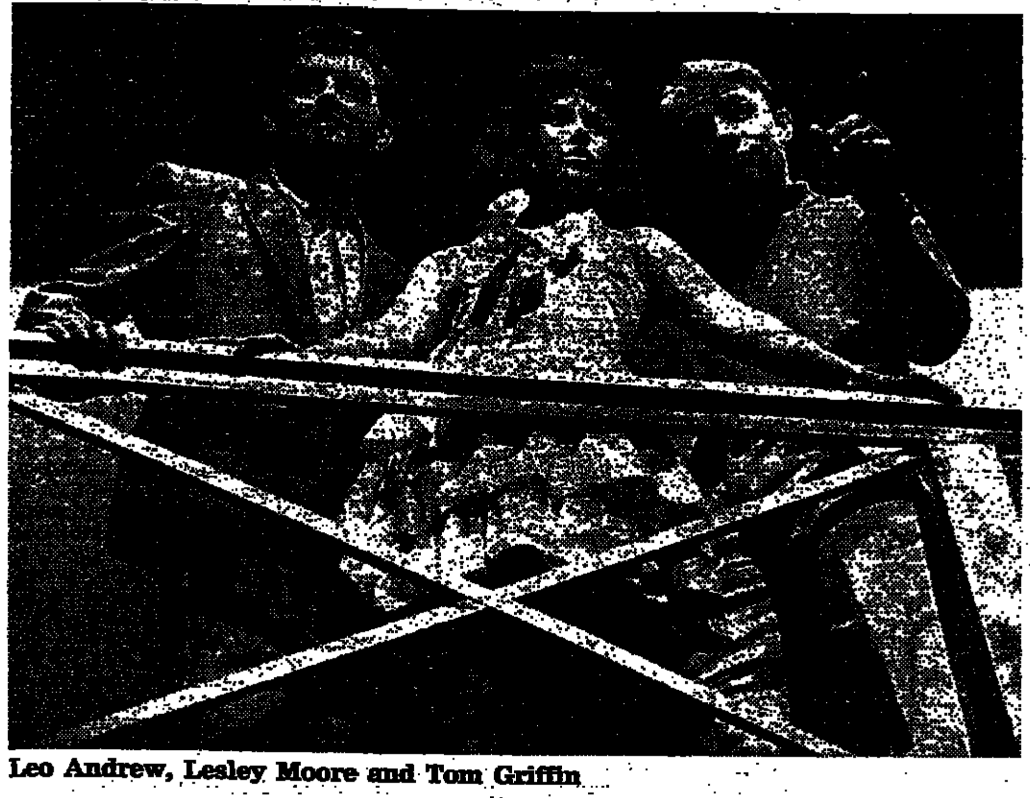
A NEW way to combat the computer hacker has been launched by Cream Communications of the UK.

Com-Lock, fitted between a PC and its modem, can cut off any caller who enters the wrong access code. After the hacker has tried 10 other codes, the system blocks the line completely for 30 minutes.

After 90 attempts (not many in hacking terms), the system produces a permanent block that can only be removed manually by the PC owner.

CONTACTS: Hitachi Denshi (UK): London, 202 4311. Battelle: US, (614) 424 4717 or in London on 493 0184. Philips: US, (615) 521 4499. Marston Palmer: UK, 0902 397777. Cream: UK, 0268 728577.

ARTS


Leo Andrew, Lesley Moore and Tom Griffin

Company

PALACE THEATRE, WESTCLIFF

Company was the first of Stephen Sondheim's collaborations with Harold Prince in the 1970s and it remains one of the outstanding musicals of recent times. It is bitter, sardonic, smart, painful and bluesy. It is also, now, a fascinating but deeply New Yorkerish piece of work. To see it spiritedly revived at the superbly refurbished Edwardian Palace Theatre at Westcliff-on-Sea in Essex is to enter both another age and another country.

A New York bachelor, Robert, or "Bobby baby," is given a surprise 35th birthday party by five pairs of his married friends. They worry about his solitude while supplying plenty of evidence with their own problems as to why he might be better off staying single. George Furth's smart and witty book is based on a series of playlets he wrote that are like expanded cartoons in the New Yorker magazine.

Bobby reckons middle-age is breaking up this gang of his; while his relationships with various single girls – an air-hostess, a post-hippie eccentric and a milksop out-of-towner – are further undermined by an intensifying urban sense of angst and alienation.

The rapid song delivered by one of the girlfriends, "Another Hundred People," conjures the hectic human travelator in a city of strangers where Bobby is a still point of quizzical uncertainty. I remember how Bobby's final emotional apology, "Being Alive," was blazingly sung by Larry Kert as an ambiguous plea for the dignity of alone-ness and the impossible comfort of friendship. It also became a gay, weepy rallying cry, one of Sondheim's fullest expressions of the misogyny that lurks everywhere in his earlier musicals.

That impact was partly compounded by the song immediately preceding it, in which Elaine Stritch gave one of the modern musical's greatest one-song performances in toasting the "Ladies Who Lunch," an electrifying display of acerbic, lush, rabble-rousing campiness.

In not aspiring to these dizzy heights, the Westcliff revival by Christopher Dunham achieves something quite new and interesting. A great musical, which has hardly been revived since 1972, is honoured. And Leo Andrew, who resembles Kenneth Branagh, invests Bobby with a convincing heterosexual male clunkiness. His voice is strong and true, his social condition a symptom of pathological social indifference and sexual bad luck.

The "Me-ness" of the cocktail party circuit is for once shattered by the ensemble joyfulness in "Side By Side," whose hat and cane routine, we now see, prefigures *A Chorus Line* (the late Michael Bennett choreographed both shows), as do the pockets of confessional psychology that expand within a frame-like structure of apologies, recriminations and exhortations while awaiting the birthday boy.

The Westcliff set by Richard Baker is a rudimentary affair suggestive, in its mottled silver grey finish, of the ground floor interior of the Empire State Building. The seven-piece band is well led from the keyboard by James Simpson, with fine regard for swing, tempi and the general musical sizzle. Vocal standards vary, but Mr Andrew is in good company with Clare Rimmer's elegant bitch and Suzanne Rigden's Barcelona-bound air hostess.

The production is a credit to Westcliff and its delightful theatre, where the decorative plasterwork has been sensitively restored and where, on either side of the proscenium, you can still see the panels and sight screens once employed in the old variety acts.

Michael Coveney

Der Meister und Margarita

PARIS OPERA

With its surreal mixture of diabolic setpieces, Biblical narrative and political satire, Mikhail Bulgakov's *The Master and Margarita*, completed in 1938, would seem a tempting and at the same time highly ambitious starting point for an opera. But York Höller, whose version, staged by the Paris Opéra at the Palais Garnier, was unveiled on Saturday, is at least the fourth composer to launch an attempt on the novel – Sergey Slonimsky produced an opera based on the first part in 1972, only five years after the book was first published in the Soviet Union, and both Nicholas Maw and Nigel Osborne were thwarted in their attempts to complete the task. Höller's opera is a substantial undertaking, and its successes just about outweigh the shortcomings.

Höller has prepared the text himself, dissecting out the main threads of the novel and inevitably having to jettison some of the the most vivid subplots in the process – the Devil appears in Moscow, spreading death and insanity everywhere; only the Master, a novelist incarcerated for writing a novel about Pontius Pilate, and his mistress Margarita are spared from the destruction, he because of his devotion to his art, she for her selfless devotion to him.

The two lengthy acts and prologue (including interval the opera lasts almost four hours) preserve the work's three most obviously "operatic" set pieces – the magic show, in which the Devil, Woland appears with his retinue at a variety theatre and corrupts and humiliates an audience by exploiting their basest instincts, Margarita's flight through the skies of Moscow, to exact revenge on her lover's persecutors, and the Satanic ball at which Margarita appears as Woland's Queen and consort, her ultimate act of sacrifice to save the Master.

Judging Höller's precise fidelity to the novel, though, was made infinitely more difficult in Paris by Hans Neuenfels' staging (sets by Reinhard von der Thannen), which in shifting the action from the 1930s to the Moscow of the present, managed both to misconceive the crucial scenes – this was surely the tamest, least depraved Satanic ball on record – and to apply heavy layers of sententious, confusing gloss: does anyone really need filmed inserts of Stalin to understand the point of a fable about the Devil unleashed in Moscow in the late 1930s? Every orchestral interlude was accompanied by a similar film sequence – some, such as Margarita's flight are specified in the libretto, others, quite impenetrable were not, and the task of teasing out what is intrinsically a complex and allusive scenario was made substantially more difficult. Bulgakov's imagery is full of savage, extravagant humour; Neuenfels' jokes were heavy and didactic, and whether a less interventionist director would find a closer match with the vertiginous qualities of the original remains to be seen.

But Höller's music was faithfully realised, committedly sung and superbly conducted by Lothar Zagrosek. A large orchestra is matched by a four-channel prerecorded tape and the finest moments in the score are achieved when Höller interweaves natural and synthesised sounds; the level of invention in the last half hour of the opera, as the Master and Margarita journey towards tranquillity together, is memorably sustained, and there the composer's technique of assigning to each character a unique *forme sonore* seems thoroughly vindicated. Earlier the music is more uneven: the first act culminates in a manic gallop when the magic show collapses in mayhem, and the second act is larded with pastiche and quotation – the Satanic ball is a parade of styles from Renaissance dances to the Rolling Stones – "Sympathy for the Devil," naturally – not quite strong enough a mixture to carry the evening's climax.

The use of quotations inevitably suggests parallels with *Die Soldaten* and Zimmermann was one of Höller's teachers; that work and *Lulu* are the antecedents of *Der Meister und Margarita*, and Berg seems to have been the model for much of the vocal writing, though that is at times rather too even and inexpressive. There are enough good things about the score to make further productions more than desirable – given a sensitive sympathetic director, and perhaps with 30 minutes trimmed from the running time, the work could come close to realising the some of Bulgakov's black magic in music.

Certainly many of the performances by the Paris cast deserve the widest possible exposure – in the title roles Roland Hermann and Karen Armstrong seized what opportunities the production allowed to expand those profoundly complex and enigmatic characters, and in the closing, haunted moments of the opera real emotion surfaced for the first time. James Johnson's Woland was confidently sung, but a little bland and sometimes shaded by the vividness of his retinue, in which Elizabeth Laurence as Behemoth, the giant, malevolent cat, and Nicholas Folwell as a punk Koroviev, the devil's Mr Fixit, were outstanding. Ian Caley was the young poet Biezdomny, a beautifully conceived and realised portrayal, and Richard Angas a wonderfully ironic Pontius Pilate. Enough British singers were involved to suggest that a London production, sung in English, would not be unfeasible and would almost certainly be worthwhile.

Andrew Clements

Suffer surrealist Fools gladly

William Packer reviews two exhibitions at the Tate gallery

The painter, Cecil Collins, who has a retrospective exhibition at the Tate (until July 9), is now, at 81, something of a cult figure. He stands in a long tradition in British painting that goes back through David Jones and Stanley Spencer, by way of Burne Jones and Rossetti, to Samuel Palmer and William Blake for the mystical, the spiritual and transcendental. Thus opposed to the purely formal considerations of modernism, he has put himself beyond the pale of critical orthodoxy to be not so much berated, as ignored.

Collins has always been his own man, an outsider quite as much by preference as instinct. As an inspirational if idiosyncratic teacher, he won both the unswerving support of his students and the no less committed opposition of his paymasters – a battle he relished with fierce glee. He is a brilliant polemicist in his own cause, suffering none but his own Holy Fool gladly. He has never been anything but present, visible and active in the British art world, his work shown regularly in major galleries, collected and admired.


"Fool and Angel Entering a City" by Cecil Collins: mixed media on board, 1969

This show provides the chance to see the work whole and in a true light. And suddenly, though no less singular, the work seems so much less wilful and eccentric than once it did, comfortable in its changing setting: of surrealism before the War, then of British neo-romanticism through the 1940s and 1950s and even of abstract expressionism in the 1960s. The sense is not of Collins following any prevailing style or mood but rather of sitting up and taking notice.

In the 1930s, it might be David Jones or Ceri Richards, Paul Klee or André Masson; after the War, Dali or Ernst; in the 1960s even Pollock and de Kooning. And always, from first to last, there is the present example of Picasso in both mood and substance, from the saltimbanques of rose period symbolism to the simple images of female heads of Picasso's old age. The very last image in the catalogue, a small gouache study of 1988 of the head of a Fool, is as characteristic of Collins as anything in the show, yet might be straight from one of the early sketchbooks of Picasso.

He was and remains surrealist, but at the outbreak of the War he moved from the overt and generalised surrealism of his early years to something more personal and coherent, and the images by which we know him, of the Angel and the Fool, Sybil and Seer, long hinted at, finally crystalise in his imagination.

The Holy Fool, whether saint, mystic or true artist, is the archetype that now obsesses him. For to him the concern of the artist, as of the visionary and the saint, is the revealed and transcendental truth that may only be tested by common, sublunary experience. For the true work of art, in the heightened physical awareness it affords of our mortal predicament, is a kind of prayer.

Yet, so Collins would say in the exact meaning of the word, we are now too sophisticated, and it is only by the holy simplicity and innocence of the Fool that that eternal truth is to be discovered: "Blessed are the pure in heart, for they shall see God."

So Collins' Fools walk their secret world, dreaming of Paradise and fair women, with Angels singing in their ears, "voix Lointaine, monde secret." None of the paintings are especially large; many small, exquisite and particular. Not everything is successful – the imagery sometimes near ludicrous, the drawing and painting uneven – but the high seriousness and ambition of the attempt is indeed consistent and commands respect.

*

The companion retrospective at the Tate is of the sculpture of another distinguished veteran of British art, the Ulsterman, F.E.McWilliam (sponsored by Ulster TV). He too has shown regularly over the years, but such has been the reclamé enjoyed by succeeding waves of British sculptors that he has been somewhat overlooked. In reminding us of the substantial achievement of an artist not perhaps in the front rank, but thereabouts, the show is welcome.

McWilliam was, in the 1930s, a follower and associate of Henry Moore and here we see just how close he was to him in both scrupulous technique and his whole vocabulary of images and forms. But he was, as it proved, the more thorough-going and persistent surrealist, and yet the more various and variable artist. "I have never set any store by consistency," he says: "life is too short for restrictive practices."

So he has moved, as we move through this show, from one surreal preoccupation to another, modelling and carving in stone or wood, abstract and figurative as the idea of the moment took him. Some of the results are odd, some funny and some clearly unsuccessful. But running through it all is a thread of powerfully suggestive and authoritative work that clearly belies his declared inconsistency, if not of intention, at least of achievement. What is most intriguing and encouraging is that the best feeds closely of the worst, group by group, idea by idea, to show that the commitment is all, and the Devil take it if it does not come off.

The disembodied figures, torsos and crossed legs, the dismembered heads and faces, a nose and eye and lip floating in space, are at once the most typical in this, and the most memorable. He is still the surrealist he always was.

Royal Concertgebouw Orchestra

BARBICAN HALL

This was the first occasion that the Concertgebouw Orchestra has come to London with the epithet "Royal" added to its name and it was a visit made with rather less than regal haste. A late arrival at Gatwick due to a delayed flight, then straight into the afternoon concert at the Barbican, apparently without eating, and back to Amsterdam before evening.

This is the kind of schedule that gives music-making in the 1980s a bad name and it says much for the resilience of the players that they should have graced the occasion with solo work as eloquent and ensemble as tight as they did. The concert was in the "Great Orchestras of the World" series and the Royal Concertgebouw is unarguably of that number, able to respond to any set of circumstances with total assurance.

On this occasion they were teamed – for the first time in London, I believe – with Mariss Jansons, the young Soviet conductor who is carrying the Mravinsky firebrand for the next generation. As we know already, a Jansons concert always glows with intensity, but nothing could quite have prepared the audience for the ferocity with which he set the Concertgebouw ablaze in this programme.

It opened with the First Piano Concerto by Brahms, a reading of epic proportions. It is difficult to think of another performance (perhaps Curzon and Szell on record) where the heroic struggle of the first movement seemed as momentous as it was here, with the soloist, Stephen Bishop-Kovacevich, being called upon to find playing of an immense, muscular power. In the Adagio a marvellous calm prevailed; but even in the finale, where it is generally accepted Brahms relaxes into joviality, battle was resumed and the music surged passionately ahead once more.

After the interval the Second Symphony of Sibelius was no less aggressive and challenging. Again there were doubts: the orchestra often sounded over-loud in this notoriously difficult acoustic and there is no need for Jansons to whip up bogus excitement in the brass as often as he does. But for sheer intensity and a sense of Sibelius pushing the expressive power of the symphony to breaking point, this performance has few equals. Those indulgent old records by Barbirolli and Karajan will have to stay in the cupboard for a while, until the physical impact delivered here has receded.

Richard Fairman

ARTS GUIDE

May 19-25

OPERA AND BALLET

London

Royal Opera, Covent Garden: The latest showing of the splendidly exotic Andrei Serban production of *Turandot* is well conducted by Stephen Barlow, but the cast (Olivia Stapp, Lando Bartolini, Yvonne Kenny) is uneven. Peter Hall's celebrated Glyndebourne production of *Albert Herring* has transferred triumphantly well to this large London theatre. Roger Norrington's conducting and the cast – Pauline Tinsley, Felicity Palmer and John Graham-Hall in the title role – are all first-rate.

English National Opera, Coliseum. The newest world premiere at the Coliseum is David Blake's comic chamber opera, *The Plumber's Gift.* Further performances of Elijah Moshinsky's quirky production of *The Mastersingers,* with Gwynne Howell, Alan Opie, Alberto Remedios and Jane Eaglen; the new, unsatisfying Graham Vick production of *Eugene Onegin*; and *Don Giovanni* in Jonathan Miller's dark, handsome staging, with Steven Page in the title role.

Paris

Grand Palais Des Champs Elysées. Bejart Ballet Lausanne presents in the framework of *La Danse en Revolution* the world premiere of *1789...et nous* in alternation with choreographyto music by Theodorakis, Wagner, Ravel and African folkmusic (48787515).

Opéra. York Hoeller's world premiere of *Le Maitre et Marguerite* conducted by Lothar Zagrosek/John Burdekin in Hans Neuenfels's production is inspired by Mikhail Bulgakov's novel describing the Devil on the loose in Stalin's Moscow. (47425371).

Arene de Bercy. *Carmen* conducted by Lawrence Foster in Pier Luigi Pizzi's production with the Monte-Carlo Philharmonic Orchestra and the Teatro Espanol ballet adding the true local colour (bookings 43461221, info 43420606).

Théâtre des Champs Elysées. San Francisco Ballet, in the Paris festival framework, dances to choreography by Helgi Tomasson, George Balanchine and William Forsythe (47203637).

Vienna

The week's performances include *Chowanschtschina,* conducted by Claudio Abbado; *Tosca,* conducted by Eugene Kohn; *Maria Stuarda,* conducted by Ion Marin; premiere of new production of *Die Entführung aus dem Serail,* conducted by Nicolas Harnoncourt; *Il Viaggio a Reims,* conducted by Claudio Abbado. Ballet: *Orpheus,* conducted by Ulf Schirmer (51444, ext 2660).

Volksoper. Operas this week: *Das Land des Lächelns, Ein Walzertraum, Die Zirkusprinzessin, Ein Nacht in Venedig, Mignon, Die Zauberflöte* (51444, ext 2662).

Rome

Teatro Dell'Opera. Francesco Cilea's *Adriana Lecouvreur* produced by Mauro Bolognini and conducted by Daniel Oren. (461755).

Milan

Teatro Alla Scala. In the series Music of our Time, a new work by Giacomo Manzoni, *Doktor Faustus.*(809126).

Teatro Lirico. The Welsh National Opera's production of Verdi's *Falstaff,* by Peter Stein, the conductor is Richard Armstrong, with the Welsh National Orchestra and choir (866418).

Florence

Teatro Della Pergola. John Cox's production of Mozart's *Idomeneo,* designed by John Otto and conducted by Myung-Whun Chung, with Dano Raffanti (Idomeneo), Delores Ziegler (Idamante), Mariella Devia (Ilia) and Carmen Reppel(Elettra) (2479651).

Berlin

Opera: Theater des Westens. *Rigoletto* in Hans Neuenfels' production features Angela Denning, Ingvar Wixell in the title role and Victor von Halem, also Leonard Bernstein's opera *Candide.*

Cologne

Opera. Benito di Bella repeats his much praised performancein the title role in *Rigoletto.* Cologne honours the great producer Jean-Pierre Ponnelle, who died last year, by restaging the complete Mozart cycle of seven operas, all produced by him. This week's performances include *Don Giovanni*; *La Cambiale di Matrimonio* and *Il Signor Bruschino.*

Frankfurt

Opera. *Der fliegende Holländer* has Simon Estes outstanding in the title role, Lisbeth Balslev, William Cochran and Harald Stamm. *La Bohème* returns with a star cast led by Fiamma Izzo d'Amico. *Dido und Aeneas* rounds off the week.

Munich

Opera. This week's highlight *Le Nozze di Figaro* stars Margaret Price. *Il Barbiere di Siviglia* will have its premiere this week with Julie Kaufmann. *Rigoletto* has a first rate cast led by Francisco Araiza, Mariella Devia and Juan Pons.

Bonn

Opera. A concert version of *I Puritani* with Piero Cappuccilli. *Tannhäuser* stars William Johns. *Ariadne auf Naxos* cast is led by Helena Doese.

Amsterdam

Muziektheater. Netherlands Opera production of *Simon Boccanegra* by Verdi, directed by Stephen Wadsworth. (Sat, Tue, Thur).

New York

American Ballet Theatre. The week is given over to Sir Kenneth MacMillan's *Romeo and Juliet* and all-Tharp programmes of *Bum's Rush*, *Everlast* and *Quartet*. Lincoln Center Opera House (362 6000).

Tokyo

France Youth Ballet. Ballet and Youth, 1789. Kan'i Hoken Hall, Gotanda (Mon) (366 9999).

SALEROOM

Porcelain prices up

English porcelain of the 18th century has seemed cheap for years, but the prices at Christie's auction yesterday suggested that it is at last catching up with English furniture and English pictures, which have experienced a considerable uplift in the past three years. The morning session totalled £241,771, with a modest 7 per cent unsold.

A Longton Hall tureen and cover made around 1755 and modelled as two tulip blooms with purple and yellow petals, was bought by the London dealer Graham and Oxley for £19,800, over twice the pre-sale high estimate, despite having some repairs and a small chip.

The same sum secured a squat baluster bowl and cover painted in the Japanese style and made at Bow around 1750, while another London dealer, Baskett & Day, paid the same price for a pair of Chelsea botanical circular plates, with crack and chip, of around 1755. Both had carried a top estimate of £6,000. Just to show the demand is spread around the factories, a Worcester oval butter tub of around 1754 with an oriental decoration, doubled its estimate at £17,600, while a Chelsea box and cover shaped like a leveret also sold well at £13,200.

Sotheby's was also offering works of art from a market which has suddenly experienced a revival of interest – antiquities. The morning session totalled £341,946, with less than 4 per cent unsold, but the top prices showed just how cheap such items can be. The top price was £7,700 paid by the New York dealers Royal Athena for an Apulian krater (vase with handles) made by the so called Baltimore painter in the 4th century BC. It is decorated with funereal scenes.

A Roman marble draped headless figure of a female, carved in the 1st century AD, sold for £7,150 while a Roman mosaic panel of around 200 AD, with a foliate motif, sold for £6,820.

Soccer is to be sold off – or rather Christie's in Glasgow, on November 14, is holding the first auction devoted to football memorabilia. Not surprisingly the lots have a Scottish flavour, most notably the medals awarded to Tom Maley, who was one of the founding players of Celtic in 1888-89. A silver medal he was awarded for being in the Celtic team defeated by Third Lanark in the Cup Final of that year, carries an estimate of up to £700 while a gold medal of 1892, when Celtic won the Cup, should make £500. Three footballs used in the Scottish Cup Finals between 1903 and 1905 are each expected to fetch £700.

Antony Thorncroft

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Questions at Blue Arrow

THE BRIEF corporate history of Blue Arrow, the employment services group founded by Mr Tony Berry, wants for nothing in controversial incident. The readiness with which City institutions promoted its rapid rise from obscurity; the Department of Trade (DTI) investigation into the circumstances surrounding County NatWest's support for a rights issue to finance the acquisition of Manpower in 1987; the boardroom battle which led to Mr Berry's replacement as chief executive by Manpower's Mr Mitchell Fromstein; and now a spate of revelations about Mr Berry's dealings with property entrepreneur and yachtsman Mr Peter de Savary – everything suggests that Mr Berry's legacy could take as long to unravel as his empire took to build. The question is whether the latest turn of events amounts to a case for a DTI inquiry into Blue Arrow itself.

The well publicised aspect of Blue Arrow's involvement with Mr de Savary began with the company's decision to provide most of the finance for Mr de Savary's bid to participate in the America's Cup race in 1988. This expenditure was undertaken on marketing and promotional grounds; but any benefit it might have had was adversely affected by a decision in the US courts which prevented Mr de Savary from participating in the race.

Further challenge

The non-executive directors of Blue Arrow promptly questioned both the rationale and the level of commitment to this project, which could legally have been terminated after the setback. Yet Mr Berry, who was then chairman and chief executive, agreed with Mr de Savary to vary the agreement so that Blue Arrow would provide additional finance to mount a further challenge.

The non-executive directors claim that this was not disclosed to a board meeting at the time and that they learned of it only months later. To date Blue Arrow has committed £7.9m to the America's Cup. In the view of the present board, from which Mr Berry resigned last week, this was "disproportionately large" in relation to the group's other business requirements.

The larger transaction that has attracted controversy relates to a £25m loan to a Netherlands Antilles company controlled by Mr de Savary. The money was to support a speculative property development, for which full planning consents have yet to be received, in Canvey Island in Essex. This was apparently intended to defray the cost of the America's Cup challenge.

Terms of the loan

The terms are striking. Blue Arrow receives no interest until July 1991; and if anything goes wrong with the transaction, its protection consists only of a third fixed and floating charge on the assets of the joint venture, ranking after earlier charges in favour of the financing bank and of a company controlled by Mr de Savary, which have respectively advanced £20m and £10m. If everything goes right Blue Arrow is entitled only to participate in half the profits that remain after the first £25m of profits go to Mr de Savary's company.

The non-executive directors claim that the transaction was completed without their knowledge and that the terms differed materially from those that were revealed to them at a board meeting. And although there are widely differing professional estimates of the value of the project, the present board has felt obliged to make full provision against the £25m advance. Mr de Savary, meantime, strongly denies the need for any such provision and resents criticism of the terms of the loan.

It is an extraordinary tale which raises important issues of accountability and management practice. On the face of it, shareholders might reasonably feel that they should have had more information from the former executive management and that a £1.15m pay-off granted to Mr Berry before the non-executive directors were fully aware of his actions was unduly generous. Without a DTI inquiry into circumstances that call for a great deal more clarification, the lessons will go unlearned.

A muddled road policy

MR PAUL CHANNON, Britain's Transport Secretary, last week announced a big increase in planned spending on motorways and trunk roads. This was a welcome – if belated – admission that expenditure on transport infrastructure has been squeezed too hard during the 1980s, and a recognition that growing congestion is imposing significant additional costs on both private motorists and industry. Yesterday's green paper, New Roads by New Means, which puts the case for private ownership of new roads, is a much less coherent document. The plans, if implemented, might result in profits for private entrepreneurs, but they could easily impair the efficiency of the road system.

Mr Channon starts from the assertion that "pushing back the boundaries of the public sector gives a better service to customers and a better deal to taxpayers." Trunk road construction, he points out, is already a private sector task. The aim now is to extend the role of the private sector to embrace the promotion, finance and operation of roads. The private road companies would earn a return on their investment by levying tolls, which motorists would agree to pay only if the "benefits to them outweigh the costs." The market would therefore influence the level of road charges.

Thatcherite principles

Private roads have at least two obvious attractions for Mr Channon. They demonstrate the department's commitment to Thatcherite principles – and thus possibly enhance his survival prospects at the next Cabinet reshuffle. They also look like a means of satisfying public demands for more infrastructure without requiring a public expenditure battle with the Treasury. The reality, of course, is more complex. As the green paper concedes, the Government, in considering the size of its roads programme, must "take account of the provision being made by the private sector." Mr Channon, therefore, can express no more than the hope that private schemes will provide the opportunity for more roads than would otherwise have been the case.

That a scattering of private toll roads would significantly improve the efficiency of traffic flow is highly improbable. The charges levied by the private companies would be designed to maximise their return and would be likely to result in an under-utilisation of the new roads. In any case decisions about usage of toll roads would be influenced by the existence of free public roads. The case for road pricing as a means of combating congestion is sound, but if charges are to be introduced they should be levied according to the level of traffic: the public or private status of a road ought not to be a relevant consideration. The fact that Mr Channon envisages road pricing only in the private sector shows that he is primarily interested in saving public money; economic efficiency as such is very much a secondary consideration.

A slow start

These arguments, however, may prove academic. Private roads, like other ideologically motivated proposals, are likely to get off to a slow start. The construction companies have given Mr Channon's proposals a distinctly cool reception. They are not convinced that the suggested procedures for establishing private roads would offer either the speed or certainty required by entrepreneurs. Equally, they fail to see the point of taking on the risks when the Government has just announced a doubling of the public sector programme. Private roads are likely to be an attractive prospect only when contracts for public road business begin to dry up. But that could be well into the next decade.

Mr Channon's paper lacks intellectual clarity. Once again the Thatcher Government has shown itself to be the prisoner of its own political rhetoric. Some of the boundaries of the state certainly need pushing back, but not all of the boundaries all of the time. The market is not well placed to determine which roads should be built and where; this is a function where government has a comparative advantage. But that does not mean the public sector should not price its products efficiently.

The Conservatives' launch yesterday of their manifesto for next month's European elections should have been a signal for the party to close ranks. The prospect that divisions in Government and party over Britain's future in Europe might result in heavy losses in the elections to the European Parliament in Strasbourg demanded a display of public unity.

Mrs Margaret Thatcher, urged by Cabinet colleagues to put a positive gloss on her vigorous defence of Britain's national identity against the threat of a European "super-state," tried to be conciliatory. She railed against "petty bureaucracy" in Brussels but in the same breath insisted that Britain's future was in Europe. Well-publicised differences between her and senior Tories were described as "tiny" relative to the gulf that separated them from "the Socialists."

Sir Geoffrey Howe, the Foreign Secretary, who along with Mr Nigel Lawson, the Chancellor of the Exchequer, has found relations with the Prime Minister strained, could even manage a wry smile as he sat next to her on the platform. But the split over Europe that has broken through the Conservatives' normally impenetrable gloss of unity will not go away – even if an uneasy truce holds until next month's elections and through to the Madrid summit at the end of that month.

Neither Britain's European partners nor Mrs Thatcher's political opponents – Conservative as well as Labour – will allow the debate to subside.

The startling progress achieved in the programme to create a single internal market by 1992 has advanced the expectations of the European Commission in Brussels and of many other EC Governments with regard to monetary union and social harmonisation.

That is a prospect from which Mrs Thatcher instinctively recoils. But few people in Brussels believe that the debate can be ducked simply to avoid a confrontation with the British Prime Minister. Equally, if the last few weeks have seen the start of a battle over the future direction of Europe, they have also marked the beginning of skirmishes for the Conservative succession.

Mr Michael Heseltine, whose fight to secure a European partnership for the Westland helicopter company led to his abrupt resignation as Defence Secretary in 1986, has given Europe a special prominence in his platform to replace Mrs Thatcher when she eventually stands down. His vision of a more moderate, less market-driven Conservatism in Britain is being accompanied by a call for it to embrace an inevitable sharing of national sovereignty with the UK's European partners.

A "Thatcherite" challenger to Mr Heseltine has yet to emerge, but the 120 MPs who last week signed a Commons motion supporting the Prime Minister made it clear that her view will not go by default. The raw populism of her defence of British sovereignty attracts powerful supporters.

Her Bruges speech, delivered last September to rebut the grander vision delivered earlier that month by Mr Jacques Delors, the European Commission's president, at the British Trades Union Congress, has rallied the right-wing of the Conservative Party. Many Tory MPs have few doubts that there are more votes in chauvinism than in calls for European unity.

Of course, the politics, in both domestic and wider European terms, are more complex than can be caught in brief newspaper headlines. It is not simply Mrs Thatcher versus the rest, whether the rest applies to Brussels and her 11 European partners, to her Cabinet colleagues or to the rest of the Conservative Party.

On some issues the lines are clear. Mrs Thatcher, for example, dispelled once and for all yesterday any remaining illusions that she might bow to pressure from Sir Geoffrey and Mr Lawson to take sterling into the exchange rate mechanism of the European Monetary System.

Philip Stephens and **David Buchan** on differences of style and substance in the Conservative Party's attitude to the EC

Ready for the arguments ahead: Mr Jacques Delors and Mrs Thatcher

The battle for a market-led Europe

The Prime Minister's view that she must defend British sovereignty against the threat of a bureaucratic, over-regulated, corporatist and, most alarmingly, socialist Europe finds few critics in the Cabinet. The Social Charter proposed last week by the Commission as part of the creation of the internal market, does not muster one favourable voice among senior ministers.

Most also share Mrs Thatcher's belief that Mr Delors is attempting to use the creation of the single market as a smokescreen for the introduction of a panoply of supranational and bureaucratic controls. Mr Lawson may be intensely irritated about her stance on the EMS, but he can hardly be dubbed an enthusiastic supporter of full monetary union.

Where paths diverge is over style. Sir Geoffrey, seen by Mrs Thatcher's aides as having "gone native" during his six years at the Foreign Office, wants patient rather than "foghorn" diplomacy. His view is that – as with the recent debate over French demands for a Community-wide withholding tax – Britain can frequently win the argument in private, measured, negotiations.

Rows over trivia – such as last week's dispute over health warnings on cigarette packets can both blur the main issues and destroy months of painstaking work on more important proposals.

Mrs Thatcher's style is totally different. "We are interested in principles," one of her aides commented after the debacle over cigarette packets. The view from Downing Street is that if a resolute stand is not taken now, then the game may be lost by default.

There is intense suspicion about Britain's European partners. Mrs Thatcher does not think that Bonn is eager to hand over sovereignty to Brussels, but she does suspect that Chancellor Helmut Kohl may not be resolute enough to resist the pressures from the rest of the Community.

On Europe the Conservative Party is almost certainly facing a deeply divisive debate

This blurred line between disputes over style and substance is also apparent from Brussels.

Mrs Thatcher has always seemed, to continental Europeans as much as to Britons to be the personification of her Government. But on EC issues she is now viewed as much more hostile to the Community than most of her ministers. The twice-yearly summits of heads of government which she attends are viewed with mounting trepidation.

But the "UK versus the rest" syndrome is exaggerated by false impressions on both sides.

When Mrs Thatcher rails against a "socialist super state," there is considerable irritation in the Commission at her lack of appreciation of how far Community policy has moved towards her views on business deregulation, trade liberalisation and enforcement of competition rules.

Officials also bridle at her suggestions that they are trying to slip new policies through by legal subterfuge. It is true that the Commission has a tendency to dress up proposals as "internal market" measures and therefore (under the Single European Act) approvable by a weighted majority of governments, rather than unanimity. This irks, and is challenged by, more governments than the British.

But increasingly the Commission has had to be quite candid in asking for new legal authority for its proposals. Nor can Mr Delors be accused of sleight of hand in stating that any step beyond strengthening the EMS in proposals for closer monetary integration would require formal amendment of the treaty.

A misleading picture, abetted by the British press's predilection for "Britain isolated" stories, frequently emerges of Britain being always in a minority of one. Mrs Thatcher was in such a position over cigarette packets. But France was similarly isolated last year over capital liberalisation, and Germany frequently is on the internal market, company law and tax.

Britain is part of an important emerging pro-free trade majority among the 12 on such issues as banking reciprocity and Japanese cars, and is only one of several countries with deep-seated reservations on tax harmonisation.

Part of its image problem derives, ironically, from the fact that, according to one insider, it is "by far the most active member state, always in the forefront of the debate, always quick to take a position." Thus, despite Mrs Thatcher's neo-Gaullist view of the Community as a collection of still sovereign states, her Government practises the very antithesis of the "empty chair" tactic of De Gaulle.

Beneath these layers of misunderstanding, agreement, debates about tactics, and rhetoric, there is little doubt, however, that the Conservatives face what promises to be a deeply divisive debate. The starkest choice is between Mrs Thatcher's view of a European free trade area cast in the image of the market-driven, deregulated Britain she has created in the 1980s, and Mr Edward Heath's vision of an onward march towards a United States of Europe.

Probably more important politically is the gap between Mrs Thatcher's view and Mr Heseltine's call for a gradual but enthusiastic sharing of sovereignty to provide Britain with a decisive role in shaping the Community.

Without that commitment, Mr Heseltine argues, Britain will again be left behind in a two-speed Europe. His most powerful analogy is one of a man alone in the desert – sovereign but powerless.

In between, ministers like Sir Geoffrey appear to take the view that membership of the Community will over time involve a natural erosion of sovereignty, but there is no need to anticipate a particular "crunch."

The present momentum towards closer integration within the Community, however, suggests otherwise. The positions which Britain is quick to take in Brussels are increasingly ones of principle; of philosophical difference with many, or most of its partners.

It is true that its EC partners, on occasion, find British opposition convenient to hide behind. London is useful to Bonn in opposing certain cultural proposals and to Paris in restraining Community foreign policy competence.

Many governments, and central banks like the Bundesbank, may, be grateful to the UK for making them think extra hard before launching themselves on the road to economic and monetary unity, mapped out by Mr Delors. But other countries, often those with chequered careers as nation states, like Belgium and Italy, consistently seem to want to pool more of their sovereignty in the Community.

Mrs Thatcher's national and ideological outlook sets her apart even from less federally minded EC partners. It is not just that for an island nation maintenance of frontier checks seems natural and tax harmonisation with neighbours appears unnecessary. It is also that her brand of conservatism stops at the Channel. Christian Democrat leaders in Germany, Belgium, and the Netherlands might seem natural allies, but their parties all have strong traditions of "corporatist" links with trade unions that she so despises.

There is no doubt that the Prime Minister remains determined to fight, as her supporters put it, for a Europe of "market-led solutions rather than Government-sponsored compromises and failures." But with France promising a further series of grand European initiatives when it takes over the Community presidency in July, it is by no means certain that Mrs Thatcher can take the rest of Europe – or the rest of the Conservative Party – with her.

OBSERVER

Water to Japan

■ A quiet visit to Japan by leaders of the UK water industry is being arranged next month by Daiwa, the Japanese investment bank that jointly advises the Environment Department and the Water Authorities Association. The industry wants to test the temperature for a sale of a chunk of the privatised water authorities in November.

The delegation will be headed by John Bellak, the extrovert huntin', shootin' and bird-watching chairman of Severn Trent. Along with Roy Watts of Thames Water. Bellak is the most forthright advocate of privatisation among the 10 authority chairmen in England and Wales.

Bellak will be accompanied by Mike Hoffman, Thames group chief executive, Archie Ramsay, the group finance director of North West Water, and Alan Smith, finance director of Anglian Water. Together, they represent the four largest authorities, which have been more in favour than their smaller brethren of a proportion of the shares going overseas. The latter are nervous about the cost of mounting overseas sales jamborees.

No decision has been taken yet on overseas sales and the Daiwa trip is a preliminary toe-dip. But the signs are that around 45 per cent of the £6bn sale will go to the UK public, 35 per cent to institutions and a quarter to investors in Japan, Canada and Europe, despite political sensitivities created by the scale of French holdings in the statutory water companies.

Water authority chairmen have become more enthusiastic about foreign holdings because of their anxiety to see 100 per cent of the industry sold in one go rather than the initial 51 per cent favoured by some ministers.

Current thinking is that to guarantee the success of a sale which continues to be stubbornly unpopular with the UK public, the shares should be offered as widely as possible. A sale of just 51 per cent would leave the spectre of an incoming Labour government returning the industry to the public sector with little technical difficulty.

Bank restraint

■ Just a touch of a pay dispute at the Bank of England. Bifu, the banking, insurance and finance union, has put put in for 9.5 per cent. The Bank has offered 5.5 per cent. The union has responded that its members would not regard such a sum as contributing to a pay deal, since it does not even reflect the rise in the cost of living, let alone salary increases in other financial institutions.

The Bank says that 5.5 per cent is a perfectly reasonable opening bid. A spokesman adds that it has no great problems either in recruiting or retaining staff, and certainly is not losing people to the Treasury. Besides, the Bank must be bound by his own Governor's public warnings about the need for pay restraint. It would be unseemly for the Old Lady to go into anything like double figures.

The union, negotiating on behalf of 3,500 staff, does not sound very happy. A 12 month deal is due to come into effect on July 1, but, says the Bank, these matters have slipped before.

Student power

■ Glasnost and perestroika have reached the point where the Soviet Union is allowing students to attend management symposia in Switzerland.

Oleg Yakovenko and Dmitry Chernobay of Kiev State University entered an essay contest and yesterday found themselves the first Soviet students to attend the annual International Management Symposium at the business school of the University of St Gallen.

"I see the dollar's heading skywards again."

At a time when practically all academic bodies appear to be holding conferences on the future of Europe and the world, the 3-day St Gallen symposium remains unique. It is organised by the students themselves. However, they are not ordinary students. St Gallen trains an élite. As testified by the BMWs and Mercedes parked outside, many are the sons and daughters of top Swiss and West German businessmen.

Yesterday a bemused-looking Yakovenko was trying to make what he could of his first, somewhat atypical visit to the West. At home, he is researching into prospects for Western joint ventures in the Soviet Union. In Geneva he heard US Senator Bill Bradley roundly reject the idea of using Western credits, subsidies or guarantees for any such thing.

Judging by the muttering that followed the Senator's remarks, the Swiss and German captains of industry are rather more on the side of Mikhail Gorbachev.

Streetwise

■ We do not always approve of editorials in the Wall Street Journal. The first sentence of the long one on China yesterday, however, is absolutely right. "China," it says, "is being enveloped by the three most powerful factors at work in the world today: democracy, market economics and the microchip."

Whoever would have imagined that it would be possible to watch a near-revolution in Tiananmen Square daily, around the world, on television – and to hear so many Chinese explaining what they are doing in English?

George Orwell was wrong in his novel, 1984, when he suggested that the growth of advanced technology would favour the power of the state. In communications, it has done precisely the opposite. More and more people are allowed to say what they want to a wider and wider audience.

The other great liberalising element has been the move to an international language. It is called English, though it is in fact American. Without it, and without worldwide television, the Chinese might just as well be talking to themselves. This seems to me a revolution on its own.

Silly mistake

■ One grows increasingly fond of the Correction columns. Last week the Times Literary Supplement wrote: "This Muséum was to be staffed by twelve new Professors, who – and this was an important innovation – were hm xs uppointed by mhher Professors." This week we learn that it was a "typographical distortion". It should have read: "to be appointed by other Professors."

LETTERS

To integrate or not to integrate with Europe

From Mr Stanley Crossick.

Sir, A.H. Hermann's columns invariably make interesting reading. For those readers who believe that the UK should be helping to lead and shape European integration, however, they can also be deeply disappointing.

The recent utterances and directions of Mrs Thatcher suggest that reason has been replaced by emotion, and perhaps by a misplaced sense of political advantage. It may be the prerogative of the politician to mix these elements, but it is disappointing to see that your eminent legal correspondent has also allowed himself to surrender his analytical faculty.

A careful reading of his article (May 17) shows it to be a series of biased comments on a mixture of European Court and European Commission activities, strung together in an attempt to support those who express incoherent hostility towards European integration. It does no more than illustrate his own animosity towards that prospect, irrespective of its merits or otherwise of the case.

Mr Hermann concludes that the Commission and the Court act in a doctrinaire manner, ignoring the regional diversity of the Community and its need for world-wide free trade. He advocates decentralised administration, political control by elected representatives and a truly independent judiciary.

However, he overlooks a number of factors:

● The Commission is composed of 17 diverse members, the Court of 13 members of equally wide backgrounds. Their services contain a rich range of background and opinion;

● EC policy is explicitly directed towards strengthening the power of the regions (contrary to the highly centralised policies pursued by Mrs Thatcher);

● Only the member states themselves can introduce true democratic control by strengthening the power of the European Parliament to scrutinise the European Community's work. This is unlikely in the near future, as the parliament more often supports the Commission than the Council of Ministers. It is hardly surprising, therefore, that Mrs Thatcher's reforming zeal has not extended this far;

● Commissioners Andriessen, Bangemann, Brittan and others were strong advocates of free trade while they were national ministers, and have remained publicly committed to that position since coming to Brussels.

I hope Mr Hermann is not questioning the independence of the Court of Justice. It is sufficient that judiciaries are independent. Those who seek to qualify such independence are generally dissatisfied with the exercise of that independence rather than in doubt of its existence.

"Trying to keep the EC together" is an emotive, misleading title. There is no doubt that the EC will keep together. Its efforts are directed at more ambitious and rewarding objectives. The only doubt is whether the UK plays a central role or becomes increasingly isolated. The UK must decide soon; the other 11 members will not be distracted from those objectives indefinitely, awaiting its decision.

The FT is a highly respected and influential paper throughout the EC. Its editorials consistently give valuable support to those who argue that the British interest is best served by a constructive and positive engagement with those who advocate greater European integration. Mr Hermann is not of that number. His article provides evidence of rich diversity in your pages, but your readers will have little difficulty in deciding whether he or your editorial writers offer the more fruitful perspective.

Stanley Crossick,
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B-1040 Brussels,
Belgium

Europe might look to America's founding fathers

From Mr James Conlan.

Sir, A.H. Hermann's disquieting description of the almost uncontrolled law-making activities of the European Court (May 17) is, unfortunately, further evidence of the flawed constitutional structure of the European Community.

The provisions of the Treaty of Rome have burdened the EC with a pseudo-constitution which effectively imposes detailed regulations while ignoring the need for representative political and legal structures taken for granted in any civilised country.

To take one glaring example: any attempt to change even the details of protectionist arrangements in the common agricultural policy (CAP) is inevitably treated as the European equivalent of a constitutional amendment. At a national level, such matters of economic policy would be the responsibility of elected governments answerable to a representative assembly. The European Parliament does not fill that role.

Thus the detractors of the "European idea" can represent the Brussels bureaucracy as an uncontrolled juggernaut, while its supporters are forced to recognise the ineffectiveness of much of its economic policy, not to mention its social engineering.

It is high time for the Treaty of Rome to be dumped as the political basis of the Community, and replaced by a genuine constitution that would merit acceptance by most Europeans.

It is worth considering the example of the American Founding Fathers who, 200 years ago, successfully managed to construct a community out of 13 states. On recognising that the original Articles of Confederation of 1777 did not work, they promptly replaced them with "a more perfect Union" – up and running by 1789.

They also took care to ordain that any powers not specifically granted to the federal government by the constitution were reserved to the states. One might speculate about the effect of a similar constitution-making process on this side of the Atlantic.

James Conlan,
4 Bridle Gate,
High Wycombe,
Buckinghamshire

Effects of US trade law

From Mr Alan Bowkett.

Sir, As the largest British bearing manufacturer, we read your article (May 16) on anti-dumping duties in the United States with interest. A US competitor's representative said it was not "'anti' any trading partner," and merely wished to enforce US law. We think your readers may be interested in a few facts.

Under the US anti-dumping legislation, RHP Bearings has had duties of 44 per cent imposed on all exports to the US, although in many cases we sell bearings at a higher price in the US than in the UK. There have been instances where our prices in the US have been lower than in the UK: an example, used by the US authorities in their computations, is a bearing where we sold 5,000 to a single customer in the US and two in the UK.

The duties imposed apply to all export transactions even where our US prices are already higher than UK prices.

A federal acquisition regulation bans RHP from supplying bearing to the US Department of Defence because we are a British company.

These are examples of US trade law being enforced. They have serious ramifications for European Community trade policy towards the US, especially with the imminent arrival of the "Super 301" list.

Alan J. Bowkett,
RHP Bearings,
PO Box 18,
Northern Road,
Newark, Nottinghamshire

Airline competition

From Mr Liam Strong.

Sir, I wonder whether the managements of all 68 foreign airlines flying into and out of Heathrow Airport, every day of every week, are aware that Britain's Air Transport Users Committee (ATUC) believes they do so out of altruism?

There is no ambiguity in Mr John Cox's letter (May 16) written on behalf of the ATUC. He calls quite categorically for "real competition to British Airways at Heathrow."

This naturally implies that he and his members believe that the likes of Swissair, Singapore Airlines, Pan Am, TWA, Air France, Japan Air Lines and the rest are not really in business to compete for a share of the UK air travel market. I can hardly believe he really means to leave that impression.

The truth is that British Airways faces more intense competition, on a more comprehensive basis, than – probably – any other airline at its home base. That is because London is the biggest and most important international air transport hub in the world. We would not want it any other way.

The perpetuation of dated, misconceived views on airline competition is dangerous and serves only to conspire against the long-term interests of the British civil aviation industry, overall.

Liam Strong,
British Airways,
PO Box 10,
Heathrow Airport (London),
Hounslow, Middlesex

Two sides to the coin

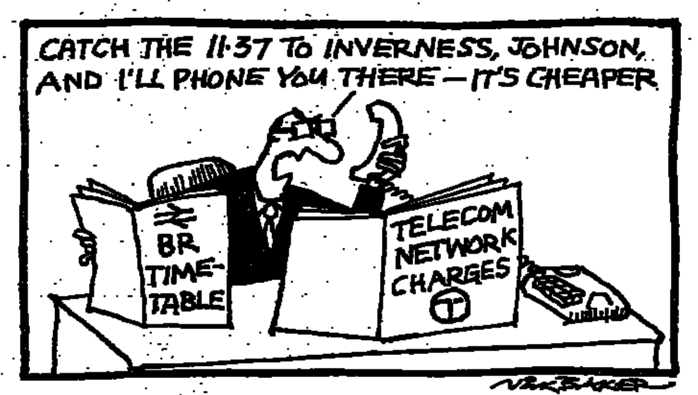
From Mr John Shepperd.

Sir, Professor Tew (Letters, May 15) argues that the retirement of gilts is flooding the clearing banks with cash, which tends to increase the money supply. The mechanism he specifies is a switch out of gilts by non-bank holders and into Treasury Bills by banks.

What Professor Tew neglects is the other side of the funding coin: the huge fiscal surplus the UK Government is now running. Last year this caused the Bank of England inadvertently to overfund. This meant that the net impact of the public sector on the money supply was contractionary.

The Government's long-term aim is just to offset the fiscal surplus with retirement of gilts. Hence, over the longer term, the money supply consequences of public sector transactions is intended to be neutral. The switch out of gilts into Treasury Bills is a liquidity red herring as far as the money supply is concerned.

John Shepperd,
S.G. Warburg Securities,
1 Finsbury Avenue, EC2



Telephoning in magic circles

From Mr D.L. Levi.

Sir, We hear much about the technical achievements of the UK telephone system – little about its curious charge structure.

Tariffs are based on a circle, with a radius of 56km, around each area. Calls outside the circle are charged at "b" rate; those inside at local or "a" rate. The 56km radius was selected because this is somewhat greater than the radius of Greater London, enabling London's 8m residents and innumerable businesses to communicate with each other at the cheapest rate.

It also ensures that users elsewhere in the UK subsidise the minority in London. Only greater Manchester, with 3m residents, has "cheap" telephone rates comparable to London. Local calls from Oxford, for example, might reach a population of 300,000; in Inverness, in Scotland, the equivalent "local" circle is 60,000 subscribers, for Caernarfon, in Wales, a mere 50,000. Exeter, in Devon, is closer to Okehampton than Welwyn is to Central London, yet the "b" rate applies – the "a" rate to the other. From Exeter a three minute standard rate call to London costs as much as one to Okehampton – on its doorstep.

There are other absurdities. If cost relates to distance, why does a call from London to Saffron Walden (80km) cost as much one to Inverness (700km)? What of coastal towns, where half the circle whose radius is 56km may consist of sea?

"B1" charges, said to be for "frequently used routes," are actually the first fruit of competition; they are cheaper than "b" calls, and similarly independent of distance. Yet they produce more anomalies: it is cheaper to telephone Aberdeen from London than from Inverness, only 80 miles away.

The 56km standard suggests a uniform system of UK charges, with call costs based on distance. Both inferences are false. In the current jargon, there should be a level playing field, and the present structure – arguably, one which inhibiting economic development outside the south-east area of the UK – should be scrapped.

D.L. Levi,
1 East Street,
Osney, Oxford

Holidaymakers mean business

From Mr John Beishon.

Sir, Stephen Dunmore's letter (May 15) misrepresents the results of Holiday Which?'s investigation of travel agents. The magazine did not condemn all UK travel agents. It reported a study of a sample of 200 travel agents which found that many were "incompetent, lazy and biased." The fact that 83 per cent quoted the wrong fare for the cheapest flight to three European cities speaks for itself.

Mr Dunmore misunderstands a crucial aspect of our report; 95 per cent of holidaymakers may be more or less satisfied with what they get, but would they be so satisfied if they knew the information they were given was so inaccurate? Like many people in business, he seems to think that a service is good enough if the consumer doesn't complain. Consumers are entitled to more than this – to high standards of service, products, and value for money.

Holiday Which? is a magazine for ordinary holidaymakers; we do not deal with business travel. Mr Dunmore says that business travellers who use high street travel agents for accurate advice on air fares deserve all they get. Why should the holidaymaker get a worse service than the business traveller?

We do not object to incentives. But consumers are entitled to know whether, and to what extent, a seller has a personal and financial interest in selling one package or product rather than another.

John Beishon,
Consumers' Association,
2 Marylebone Road, NW1

Vote catcher

From Mr Carlos Santistevan.

Sir, Robert Graham's article on the lessons of the May 7 elections in Bolivia (May 18) rightly concludes that good economic policies win votes. I think the example of neighbouring Argentina helps to prove the point: bad economic policies lose elections, as Mr Alfonsín's party has learned.

Carlos Santistevan,
Libra Bank, Bastion House,
140 London Wall, EC2

Country cousins take different routes to the same place

From Mr James Douglas.

Sir, Bridget Bloom ("Towards a greener farm policy," May 17) draws attention to the likeness between the Countryside Commission's proposals, in its publication Incentives for a New Direction In Farming, and those in the report, Enterprise in the Rural Environment, from a working party of the Country Landowners Association (CLA).

Both sets of proposals for rural land management have similar objectives; both would apply countrywide (not just in designated areas); both have the merit of being voluntary.

But there is an important difference. The Countryside Commission's "comprehensive menu" of environmental grants for farmers would be spread on the table by central Government, and farmers would be able to savour them only if they complied with Government-prescribed eating habits.

The CLA working party's scheme starts from the premise that in the radical changes now occurring in agriculture, it is essential to preserve both farmers' self respect and their sense of their independence as businessmen.

They have environment products to sell, and they should be free to decide the form in which they offer them to the public, whether the public takes the form of recreational groups, leisure organisations, conservation bodies, local authorities or central government acting for the public at large. There is a market for these products, and their price should be determined by agreement between the parties.

Under this scheme, the farmer stays in business. He remains personally committed. He is not the recipient of Government handouts.

The Countryside Commission and the Country Landowners Association's working party were marching to the same destination. Perhaps inevitably, as an official body, the Countryside Commission took a different route. There may still be time to persuade the Commission that the other one is better.

James Douglas,
Director-General, Country Landowners Association,
16 Belgrave Square, SW1

FOREIGN AFFAIRS

Applying the logic of Alice in Wonderland

Robert Mauthner looks behind the recent expulsions from Britain and the Soviet Union

Espionage is by definition a mysterious activity, which only lays bare its secrets in novels and the occasional purported factual account, such as Peter Wright's Spycatcher. Even when it touches the periphery of real life, as when Governments accuse each other of spying – or rather their agents of activities "incompatible with their status" in the official jargon – the ordinary citizen has been trained not to ask too many questions. For he or she knows that they will never be told the truth by their Governments because "national security interests" are at stake.

So the proverbial taxpayer and voter, who is supposed to have a certain number of democratic rights, will never know why the British Government decided, at a time of growing East-West and Anglo-Soviet *détente*, to set off a round of tit-for-tat expulsions of diplomats and journalists.

Indeed, if the Foreign Office had had its way, we would never have known that it had taken place at all, for the idea was that the Russians would keep the whole thing quiet and refrain from retaliatory action. The good relations between Britain and the Soviet Union would thus have been conserved because nobody, except one or two government leaders and a few officials, would have known that they had been undermined by the spying activities. A curious kind of logic, which Alice in Wonderland would have appreciated.

No doubt imbued with the spirit of glasnost, the Russians refused to play the game and the whole embarrassing episode – the latest in a long line of similar incidents – has come out in the open. The result, it can hardly be doubted, will lead to a new coolness in Anglo-Soviet relations, which Mrs Margaret Thatcher and Sir Geoffrey Howe, her Foreign Secretary, have spent so much time and energy in building up.

That phase, of course, will only be temporary and things will return to normal in time. But what a lot of wasted effort the whole affair involves. One day Mr Mikhail Gorbachev is fêted in Windsor Castle and honoured in the Guildhall as if he were the Messiah, and a few weeks later he is kicked on the shins, like any run-of-the-mill leader of a European Community government. There is a certain lack of consistency there which even those who recognise that national security sometimes demands exceptional measures may be justified in questioning.

Everyone knows that intelligence activities form part of the web of international diplomatic relations and that the Communist bloc countries are particularly keen and adept practitioners of the art. There are clearly limits which must not be overstepped, though they are necessarily ill-defined and are applied variously by different governments. Because no details of intelligence activities are ever publicised, the official version that Soviet intelligence operations in Britain have increased greatly over the last three years, must either be accepted at face value or rejected without adequate factual evidence for the adoption of either position.

What is known, on the other hand, is that expulsions have never deterred the Soviet Union from continuing its intelligence operations in Britain or in any other country. Not even a dramatic gesture like the expulsion in 1971 by the then Foreign Secretary, Sir Alec Douglas-Home (now Lord Home), of 105 Soviet Embassy and Trade Mission personnel did the trick. And the defection to the West in 1985 of Mr Oleg Gordievsky, the senior Soviet intelligence agent in London, causing the expulsion of a total of 31 Soviet diplomats, trade officials and journalists, has apparently led only to a redoubling of the KGB's efforts in Britain.

There is little reason to suppose that this action will be effective in ridding Britain of Soviet spies

There is little reason to suppose, therefore, that in the long run Britain's latest action will be any more effective in achieving the desired objective of ridding the country of Soviet spies. Such a step during a cold war phase could be considered purely punitive. At a time of strained East-West and bilateral relations, it does not matter if another cube is added to the ice-bucket. But when relations are good and steadily improving, wider foreign policy objectives might have been expected to play a bigger part in influencing the British Government's decision than they appear to have done.

One of the big unanswered questions is whether enough was done at a diplomatic level to settle the problem in an amicable fashion. True, Sir Geoffrey sent out signals in a speech at the Wehrkunde defence conference in Munich at the beginning of the year that Britain was unhappy about the increase in Soviet intelligence activities. It is also said that Mrs Thatcher brought up the matter during Mr Gorbachev's visit to Britain last month. Yet it seems inconceivable – barring an even bigger lack of communication between the Soviet leader and his intelligence agencies than is generally supposed – that Moscow would have completely ignored a direct warning that its agents faced expulsion if they did not cut down their activities.

The most Machiavellian interpretation is that Britain, which has been taking a hard line in the arms control debate, particularly on the question of updating Nato's short-range nuclear weapons in Europe and the Soviet proposal to negotiate a reduction of these weapons, was making a political point. On the eve of next week's vital Nato summit, it wanted to persuade its partners not to be too complacent about Mr Gorbachev's smiling face and "new thinking" and to prove to them that they had to remain vigilant.

But even if this view is accepted, there is another dimension to the whole affair that should not be ignored. The Foreign Secretary certainly had a point when he implied that, if there is to be true glasnost in international relations, it is unrealistic to believe that there can be a "reserved area", such as intelligence-gathering, to which "host" countries will somehow turn a blind eye. Ways must be found of putting the issue on the agenda of bilateral talks. Even if intelligence gathering itself necessarily remains a secret activity, statesmen should at least be able to discuss ways of curbing such operations when they begin to threaten the whole fabric of their relations.

Not least, it is high time that an international understanding is reached allowing journalists to be excluded from the tit-for-tat games that governments play with each other. While it is certain that Soviet journalists, particularly those working for government news and information agencies, have often had closer relationships with their intelligence services than is "compatible with their status," that is also true of a number of Western journalists. The dividing line between genuine journalistic research and illicit intelligence gathering is in any case very fine – particularly in a day and age when foreign journalists can openly visit missile sites and chemical weapons facilities.

It has always been unacceptable – as well as contrary to the spirit of the 1975 Helsinki Agreement – that journalists should be used as the scapegoats of governments and diplomats. That is even truer at a time when Soviet journalists are becoming more outspoken in their criticisms of their own government and political system and Western journalists are reporting and explaining momentous changes in the Soviet Union and China. Neither the East nor the West can do without them, for they are the eyes and ears of glasnost.

FINANCIAL TIMES
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Thatcher to fight 'bureaucratic meddlers' in Brussels

By Philip Stephens, Political Editor, in London

THE UK Government yesterday set out its agenda for Europe in the 1990s with a pledge to resist "bureaucratic meddling" from Brussels and fight instead for a European Community committed to "the economics of freedom and enterprise."

Launching the Conservative manifesto for the elections to the European Parliament on June 15, Mrs Margaret Thatcher underlined her determination to defend Britain's sovereignty against those who wanted to give Brussels more bureaucratic power to interfere and intervene.

She denied that her tough resistance to the creation of a socialist "super-state" in Europe threatened to split the Conservative Party, insisting that there were only differences of emphasis.

Underlining her fierce resistance to an early commitment to full British membership of the EMS, she added that "no-one" thought it should join until the Government had brought down inflation.

Mrs Thatcher emphasised her continuing differences over the issue with Mr Nigel Lawson, the Chancellor, and Sir Geoffrey Howe, the Foreign Secretary, by adding that even when inflation had been curbed it was far from certain that Britain would join immediately.

Confirming her deep-seated scepticism about the value of attempts to peg exchange rates, Mrs Thatcher recalled that the Bretton Woods fixed rate system had broken down and that many of Britain's European partners still imposed exchange controls.

She left the impression that it was unlikely that she would change her view during the present parliament.

She also stressed that Mr Lawson's agreement at a weekend meeting of finance ministers that they should begin preparatory work on the first stage of the Delors report on EC monetary union, implied no commitment to action.

The manifesto focuses on the need to generate on a European scale the economic deregulation and liberalisation which has characterised the Government's domestic policies.

It warns repeatedly against the dangers of "bureaucracy" and of the risk of the reintroduction of socialist policies through the community.

It also stresses the Government's commitment to an open trading system, calling for the eventual dismantling of all voluntary restraint agreements limiting imports and the removal of tariffs on imports from developing countries.

The Labour Party responded to the manifesto by saying that it failed to conceal the "muddle and confusion" within Conservative ranks over policy towards Europe.

Battle for a market-led Europe, Page 22

Extremists call the shots in Gaza

Fundamentalism worries Israelis and PLO, writes Hugh Carnegy

THE arrest in the Israeli-occupied Gaza Strip at the weekend of some 250 activists from the Islamic group Hamas – including the two men regarded as its principle leaders – was more than just another measure in a week of uncompromising Israeli action against persistent unrest in the area.

It amounted to official acknowledgment of the growing role of Moslem fundamentalists in the 18-month-old Palestinian intifada (uprising) in Gaza and in the West Bank.

It is a trend, especially strong in the wretched, honeycomb alleyways of Gaza, that causes concern not just to the Israeli authorities, but also to the so-called unified command, the underground directors of the intifada who represent locally the many-factioned, but essentially secular Palestine Liberation Organisation.

The Hamas round-up was the biggest of the uprising. Among those arrested were Sheikh Ahmed Yassin and Dr Mahmoud Al-Zahar, Gaza's most prominent fundamentalist leaders. The authorities said Sheikh Yassin, previously jailed between 1983 and 1985, headed Hamas's military section and had personally ordered the killing and beating of Palestinians alleged to have collaborated with the Israelis. They said a large number of weapons had been captured during the arrests.

The rise of Hamas (Zeal) was especially clear recently during Ramadan, the annual Moslem month of fasting, when its call for an upsurge of violence was answered by some of the worst unrest in Gaza since the start of the intifada in December 1987.

Another sign of its waxing strength was its call for one-day strikes by Palestinians which did not coincide with those nominated by the unified command. Both days, in April and this month, were widely observed, even in mainly Christian villages in the West Bank traditionally hostile to Moslem extremists.

Fundamentalist leader Sheikh Ahmed Yassin: opposed to the secular line of the PLO

Now Hamas's strength in depth will be tested as it responds to the removal of so many members. Its recent surge was partly ascribed to the release of a number of its activists from previous detention. The army has, perhaps rashly, predicted a subsidence of violence after the latest arrests.

Hamas is not the only fundamentalist group active in the intifada. Another notable group is Islamic Jihad, a more extreme but much smaller faction. Hamas is the major force, benefiting from the growing numbers of people attending mosques since the intifada began.

Sheikh Yassin, 51, has been regarded as their spiritual mentor for some time. An unlikely looking leader of a radical underground band, he daily received visitors and petitioners at his house in the Gaza sand dunes. Disabled in childhood and confined to a wheelchair, he speaks in a frail voice, pausing often to recover his breath.

He has been careful publicly, in line with Hamas tactics, not to step much out of line with the secular leadership of the uprising, recognising the preeminent position of the PLO. But in an interview this month he made clear there was a distinction. "The Islamic movement supports and opposes the PLO. It supports it as a representative of the Palestinian people. But we oppose the secular line of the PLO. That is why we don't give them the complete and absolute right to do whatever they want."

The clearest policy distinction, at least with the current position of the PLO, is Hamas's commitment to an Islamic state in Palestine which ultimately does not allow for the "two-state solution" now espoused by Mr Yassir Arafat, the PLO leader.

Dr Zahar, a surgeon, spelled this out in another interview. "If it is necessary to start the nucleus of an Islamic state in the West Bank and Gaza we will accept ... but if we accept such a state only, Moslems everywhere will not accept it."

This is not a threat to Jews, he says. "We are ready to accept all Jews to live as citizens. But we can't accept a (Jewish) state within Islamic land."

Such words are of no comfort whatsoever to Israelis. The irony is that the Israeli authorities to some extent helped spawn Hamas by allowing some years ago the development of Islamic charitable institutions, such as the Islamic University in Gaza, which became the breeding grounds for fundamentalist groups.

"It is a two-sided coin," said an Israeli general with experience in the West Bank. "From the Israeli point of view, it's not bad if there are divisions in the Arab streets. On the other hand we have experience in Lebanon of extreme Moslems. They are led by fanatic believers and are not afraid to commit suicide. It makes things much more difficult."

The two sides of the coin could become evident if Israel's efforts to hold elections in the West Bank and Gaza come to fruition. Hamas-PLO solidarity might well prevent a direct contest between them in such a poll. But if it happened, Hamas would seem to be capable of mounting a significant challenge to the PLO mainstream in the territories.

The prospect of a contest worries sympathisers of the PLO. They tend to play down the strength of Hamas and blame the Israelis for trying to stir up divisions within Palestinian ranks. But they acknowledge a threat.

"The seeds (of Islamic extremism) might blossom if the moderates are proved to be a failure," says Radwan Abu Ayash, head of the Arab Journalists Association.

Soviets curb British presence in Moscow

By Quentin Peel in Moscow and Robert Mauthner in London

THE Soviet Union yesterday announced new restrictions on British businesses, journalists and diplomats in Moscow, in a new round of retaliation for the British decision to expel eight Soviet diplomats and three journalists from London.

A ceiling of 205 has been set on the number of accredited British representatives, and their Soviet employees, who can work in the Soviet capital – matching the number of Soviet citizens allowed to work in London.

The decision seems certain to mean a drastic cut in the number of Soviet employees who can work for British offices, including the British embassy, a serious upset for those relying heavily on Soviet interpreters and local office staff.

In London, Mrs Margaret Thatcher, the Prime Minister, strongly condemned the tit-for-tat expulsion of 11 British diplomats and journalists. She said on BBC television that they showed that "things have not really changed very much at all" as far as the Soviets were concerned.

The latest Soviet move is unlikely to mean any further cut in the number of British citizens in Moscow, of whom around 130, including 50 diplomats, are currently accredited.

On the other hand, it seems likely to prevent any new representative business offices being opened in the Soviet capital.

The decision was greeted with alarm by business representatives in Moscow, and seen as severe discouragement to any prospective joint ventures with Soviet enterprises.

The details were announced by Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, in a statement which accused the British government of an action contradicting the whole process of improving bilateral relations.

He confirmed that eight British diplomats and three journalists were being expelled in direct retaliation for the UK move, accusing them of "fulfilling the orders of the secret services." He denied that the Soviet officials in London had engaged in improper activities.

Mr Gerasimov, who showed considerable personal embarrassment at the statement he had to read, refused personally to condemn the correspondents being expelled – from the BBC, Independent Television News and the Sunday Times. He said the correspondents could appeal "to the leadership of the Ministry of Foreign Affairs," whose decision would be final.

He said the new quota system matched the quota on Soviet employees imposed in London, which covers all Soviet employees, whether they work for the embassy, news media or trade offices and enterprises.

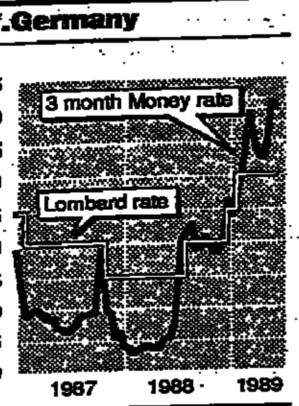
Hitherto the Soviet government had imposed no limit on numbers, allowing the total of British employees, including Soviet workers, to rise to 375, he said.

Mr John Allen, director of the British-Soviet Chamber of Commerce, said the move was "a terrible thing."

THE LEX COLUMN

The dark side of a sunny dollar

The heady euphoria which carried the London equity market to successive post-crash peaks last week has given way to the sobering realisation that while a strong dollar may be good news for Wall Street, interest rates elsewhere are probably going to have to rise before they can fall. The central banks have given up any pretence of being able to sit on the dollar, and while the White House now says it is concerned about its currency's behaviour, it is unlikely that the US authorities will loosen monetary policy until there is considerably more evidence that US inflation has peaked.



Barring an abrupt reversal in the dollar's substantial re-rating – which looks increasingly less likely as every day passes – resort to the interest rate weapon seems the obvious response. However, last month's half point rise in the West German discount rate only highlighted that country's internal policy squabbles; and the worry, for the equity markets at least, is that any concerted hike in European interest rates could degenerate into interest rate warfare. A half point rise in interest rates in West Germany and Japan is already discounted, and given the current mood in the markets it is hard to tell what level of interest rates would be necessary to stop the dollar's run.

All this is far from good news for the UK authorities, who have made little secret of their belief that 13 per cent base rates are about right. The combination of yesterday's downward lurch in the pound and increasing worries about UK inflation are beginning to point towards higher UK interest rates. UK money market rates are not yet up with events, but a pre-emptive move might help restore Mr Lawson's credibility.

Plessey

In its usual bloodless fashion, the market looked on yesterday's full year figures from Plessey not as a plea for independence, but as a pointer to what GEC and Siemens might end up paying as the price of victory. Stripping out the effect of acquisitions and the odd item tucked away below the line, the figures are not particularly impressive in themselves; but they allow Plessey to sustain the case that it is growing again, and that is worth money.

The market takes it for granted that GEC and Siemens will bid again, and it is hard to imagine that it is wrong. Withdrawal would be a grievous blow to the prestige of both companies; and the central awkwardness of GPT, which makes it so hard for Plessey to defend itself, makes it equally hard for GEC to walk away. Maintaining the present structure of the UK electronics industry is no longer an option; and though the institutions would doubtless prefer any other structure which did not leave Lord Weinstock in charge, the existence of GPT probably rules that out as well.

After GEC's temporarily successful campaign to talk Plessey's price down, it now looks as if Plessey is managing to talk it up again. One does not have to accept fully Plessey's argument about the value of its constituent parts to concede that the likely take-out price now looks closer to 300p. At 290p, say, the multiple would be only 14, and would do no more than compensate for the rise in the market since GEC/Siemens paid 245p for its 14 per cent stake.

Hong Kong

Whatever happens in China, the present level of the Hong Kong stock market is wrong by quite a wide margin. If the liberal forces triumph, Hong Kong will gain both directly and indirectly through the effect on investors' confidence. Not only should prices recover yesterday's 11 per cent fall but they should rise higher still. If on the other hand Deng Xiaoping and Li Peng cling to power, the implications for the Hong Kong market are pretty dire. Any sign that residents and investors were questioning the future of the colony after 1997 and the p/e of less than 9 for a stream of possibly finite earnings would start to look excessive.

The bounce in share prices in London yesterday showed that international investors were sensibly tending towards the former view. Not only is the news pointing that way, but history at least would suggest that now is a time for courage. Investors who bought in the more serious riots during the Cultural Revolution would have caught the great bull market of the early 1970s, while those who bought in 1983 would also have done well. Only four times in the last decade has the market fallen to p/e multiples this low, each time recovering smartly.

Still, to buy now requires guts and while the future looks so uncertain there is every chance of further big falls, especially if there are more rounds of forced sales by unit trusts. At least it is encouraging to see the market coping with yesterday's desperate dash of selling: investors' money may be at risk in Hong Kong, but should they wish to recover it, they are likely to find the stock exchange open for business this time.

Vickers

Vickers' decision to sell its lithographic plates business may be sensible in terms of timing, but it is also a reminder of what a curious amalgam the company is. Howson-Algraphy contributes more than a quarter of group sales and profits, and the £240m sale price will mean that some 40 per cent of Vickers' £550m market capitalisation will now be represented by net cash. How that will be distributed around the remaining four divisions is not immediately apparent, though if the group wanted a one-shot acquisition – in aerospace, for instance – it could now muster some £350m for the purpose.

Unless, that is, someone has a crack at Vickers first. This is a clear risk, if only because the operating businesses, net of cash, are now valued at some 8 times this year's earnings. A bidder would doubtless have to be UK-based, and acceptable not only to the Ministry of Defence but to Rolls-Royce, which still owns the brand name for the cars. Indeed, Rolls-Royce itself would make a plausible owner, as perhaps might British Aerospace. That apart, the shares look on the cheap side; and meantime, the outlook is one of uncertainty as the market awaits Vickers' next move, punctuated by bursts of speculation.

Motorola talks fail to reach agreement

By Robert Thomson in Tokyo

MOTOROLA, the US communications company, and Japan's Ministry of Posts and Telecommunications failed to reach agreement yesterday in negotiations crucial to solving a dispute that could lead to the imposition of 100 per cent punitive tariffs on a range of Japanese exports to the US.

A ministry spokesman said a senior delegation from the US company had nothing new to offer in the negotiations, which focused on Motorola's demand for radio frequencies enabling the use of its mobile telephone equipment in Tokyo, and the ministry's licensing procedures.

The telecommunications ministry spokesman was apparently not perturbed by the lack of a result in the discussions or by the threat of US sanctions, which could be introduced early next month.

He said that "the US Government does not want to be treated as a puppet of Motorola", and that talks would continue with US officials over the claims that foreign companies are hindered unfairly in Japan's telecommunications market.

A list of 54 Japanese products that could be subject to the punitive tariffs has already been drafted in Washington, where it is argued that Japan has failed to honour a 1985 agreement to open its home market to imports and that the Motorola case is a prime example of the failure.

The Japanese telecommunications ministry maintains it has abided by the 1985 agreement.

Mr George Fisher, Motorola's president, said that the company would "hopefully" resolve the issue in "the very near term", but that the telecommunications problem was "ultimately an issue between the Government of Japan and the Government of the US."

Two indicted as Recruit investigation ends

By Stefan Wagstyl in Tokyo

TWO SENIOR Japanese politicians involved in the Recruit scandal were indicted yesterday on charges of taking bribes from Recruit, the company at the centre of the affair.

But the public prosecutor strongly indicated that the two arrests marked the end of his investigation into wide-ranging allegations of corruption.

Reports from the Tokyo District Public Prosecutor's Office suggested officials feel there is insufficient evidence to pursue charges against Mr Yasuhiro Nakasone, the former Prime Minister, and other politicians who accepted financial support from Recruit.

The prosecutor is expected to present a report to the Government on Thursday. On the same day Mr Nakasone is due to appear before the Diet (parliament) to testify on oath about the affair.

The ruling Liberal Democratic Party hopes the two indictments, the conclusion of the investigation into corruption and Mr Nakasone's decision to testify will allow it to recover some popular trust. It also hopes these developments will clear the air enough to permit the selection of a new Prime Minister to follow Mr Noboru Takeshita, who plans to resign.

Opposition parties vowed to keep attacking the LDP over its political responsibility for the scandal which involved high-ranking politicians, civil servants and businessmen.

The two men indicted were Mr Takao Fujinami, a former Chief Cabinet Secretary in Mr Nakasone's administration, and Mr Katsuya Ikeda, a former official of the opposition Komei (Clean Government) party. They were charged with taking bribes in the form of cash and shares in return for helping Recruit. The prosecution alleges they used their influence to prevent Japanese employers breaking an agreed timetable for recruiting new graduates. Recruit feared an end to the agreement would harm its main business of publishing job magazines.

In return, Mr Fujinami received Y20m ($145,000) in donations and 10,000 shares in Recruit Cosmos, a Recruit subsidiary. Mr Ikeda received Y7m and 5,000 shares. Both denied any wrong-doing.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	23	73	Dubrovnik	F	23	73	Malta	F	24	75	Rhodes	S	22	72
Algiers	S	28	82	Edinburgh	S	13	55	Manchester	S	22	72	Rio de Jo	C	28	83
Amsterdam	S	22	72	Faro	F	18	64	Manila	C	35	95	Rome	S	23	73
Athens	T	25	77	Florence	F	27	81	Melbourne	F	14	57	Salzburg	S	20	68
Bahrain	S	34	93	Frankfurt	S	24	75	Mexico City	F	30	86	San Francisco	F	9	48
Bangkok	F	34	93	Funchal	C	19	66	Miami	S	26	79	Seoul	C	21	70
Barcelona	S	22	72	Geneva	F	20	68	Milan	F	27	81	Singapore		–	–
Beirut		–	–	Gibraltar	S	22	72	Montreal	C	13	55	Stockholm	S	19	66
Belfast	S	19	66	Glasgow	S	19	66	Moscow	R	6	43	Strasbourg	S	25	77
Belgrade	F	18	64	Guernsey	S	20	68	Munich	S	20	68	Sydney	F	18	64
Berlin	S	19	66	Helsinki	C	13	55	Nairobi	F	22	72	Taipei	F	34	93
Biarritz	S	23	73	H. Kong	C	28	82	Naples	F	28	82	Tangier	F	21	70
Bombay	C	31	88	Innsbruck	F	24	75	Nassau	F	30	86	Tel Aviv	S	33	91
Bordeaux	F	24	75	Inverness	S	20	68	New Delhi		–	–	Tenerife	S	22	72
Brussels	S	23	73	Islamabad	F	41	106	New York	S	22	72	Tokyo	F	24	75
Budapest	S	20	68	Istanbul	S	21	70	Nice	S	24	75	Toronto	S	13	55
B. Aires	C	24	75	Jakarta	R	32	90	Nicosia	S	29	84	Tunis	F	25	77
Cairo	S	35	95	Jersey	F	22	72	Oporto	C	20	68	Valencia	C	21	70
Cape Town	S	21	70	Jo'burg	F	21	70	Oslo	S	22	72	Venice	S	25	77
Caracas	C	26	76	Lima	F	21	70	Paris	S	25	77	Vienna	S	18	64
Casablanca	F	21	70	Lisbon	C	14	57	Peking	S	32	90	Warsaw	F	17	63
Chicago	F	14	57	London	S	24	75	Prague	S	17	63	Washington	S	17	63
Cologne	S	23	73	Los Angeles	F	14	57	Reykjavik	F	7	45	Zurich	S	22	72
Copenhagen	S	16	61	Luxembourg	S	23	73								
Corfu	S	23	73	Madrid	S	24	75								
Dallas	C	24	75	Majorca	F	26	79								
Dublin	S	16	61	Malaga	F	23	73								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Peking unrest deals blow to HK market

Continued from Page 1

Mr Yuen blamed the falls on "high political tensions" in China and ruled out any question of the stock exchange closing, as it had done in the 1987 crash.

Local brokers forecast more heavy selling of stocks today and there is little prospect of the market picking up significantly in the immediate future because of the uncertainty which will accompany any developments in Peking.

Hong Kong has always been sensitive about events in China, with which it has close and growing economic ties, including reliance for more than half its water consumption. However, there is greater uncertainty than usual because Hong Kong reverts to Chinese sovereignty in 1997 and people are worried about whether Peking will honour its pledges to allow a "high degree of autonomy."

Tough martial law measures and the introduction of a repressive regime would eliminate some recent optimism that the students' demonstrations might lead to a new government in Peking.

This possibility has emphasised a consciousness among Hong Kong's majority population that they are Chinese and are part of China. It helped to stimulate Sunday's rally which was a remarkable demonstration of street power. The marchers' demands included the resignation of Peking hardliners, the withdrawal of the army and government recognition of the Chinese students' movement. Yesterday there was a march by 3,000 people.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday May 23 1989

INSIDE

Getting to grips with a mystery

The mystery of Blue Arrow's £25m ($39.5m) loan to Mr Peter de Savary's Chainrock is not so much a Whodunnit as a Why did he do it? Why did former chairman Mr Tony Berry agree to lend so much money to Mr de Savary (left) in such a speculative project on such seemingly disadvantageous terms? Philip Coggan investigates the circumstances of the deal and the dispute that has followed. Page 34

Danger signals

Developments at two prominent US manufacturers of computer disk drives — Miniscribe and Quantum — signal industry-wide problems that could lead to broad restructuring in the face of volatile market trends and intensifying foreign competition. Page 27

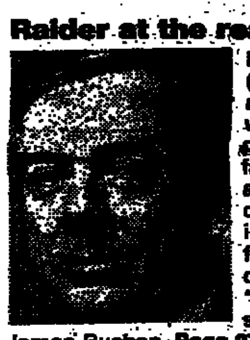
Mexico on song

The world was a volatile place for equity investors last week. Changes over the previous week ranged from a surge of 13 per cent in Mexico to a slump of 6.84 per cent in South Africa in local currency terms, according to the FT-Actuaries World Indices. There were changes of more than 2 per cent in 10 *countries in all — and it* was not only the smaller markets that grabbed the attention. Leading exchanges had a good week, with the US and the UK both making significant gains. Page 54

Predator to rival French

Contrary to popular belief, French water suppliers are not the only hungry fish hunting the shallows of the British water industry. Biwater, the private UK water contractor, runs the French extremely close for the distinction of having been first to spot the potential of statutory water companies — the 29 private-sector water suppliers which work alongside the public authorities. Page 35

Raider at the ready



Mr T. Boone Pickens (left), the Texas oilman and stockmarket raider who recently bought 20 per cent of Koito Manufacturing, is planning to attend the Japanese company's annual meeting next month to push for three seats on the company's board. "We're all set to go," he said in an interview with James Buchan. Page 27

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
D'sche Babcock	169	+	3	Metaleurop	190	+	12.8
BMW	512	+	9	Fives-Lille	427.5	+	28.1
Falls				Nord-Est	171.4	+	8.1
Kaufhof	464	−	15.5	Roussel	1857	+	78.3
Karstadt	525	−	13	**Falls**			
Feldmuehle	342	−	7.8	Henin	565	−	19.3
Bayer Vereinsb.	362	−	6.5	Fichet-Bauche	897	−	37
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Circle K	14⅞	+	1⅞	Misawa Resort	2200	+	240
Warner Comms.	51	+	⅝	Topy Industries	1120	+	90
Falls				Aiwa	1170	+	90
ConAgra	33¼	−	1⅞	**Falls**			
Exxon	34⅞	−	¼	Ino Kaiun	1900	−	150
General Elect.	53⅝	−	¼	Titan Kogyo	2300	−	170
IBM	110¼	−	⅞	Manzen Showa	1170	−	80

New York prices at 12.30.

LONDON (Pence)							
Rises				Hawker Sidd.	724	−	15
Gateway	200	+	6	Kingfisher	307	−	12
Glaxo	1448	+	6	Land Secur.	582	−	11
Lodge Care	191	+	12	Next.	148	−	8½
Midland	349	+	4	Prop Co London	215	−	40
RCO	203	+	12	Quotient	93	−	15
RHM	460	+	10	Racal Elect.	497	−	23
Vibroplant.	257	+	10	STC	362	−	17
Falls				Standard Chart	534	−	14
Allied Lyons	444	−	17	THF	312	−	11
Anglia Sec	287	−	25	Utd Biscuits	346	−	14
Barclays	477	−	7	Whitbread "A"	346	−	18
Bass	965	−	16				
Cable & Wire.	545	−	33				

Zurich opens stock ledger to foreigners

By John Wicks in Zurich

ZURICH Insurance, the leading Swiss insurance concern, is to make its registered shares available to foreigners. This is the first time since the opening of Nestlé's stock ledger to non-Swiss last November that a leading Swiss company has taken this step.

The move by Zurich Insurance comes as part of a major capital transaction which will include the largest single bond issue ever to be floated on the Swiss capital markets.

It follows considerable criticism abroad in the past months of the fact that companies with registered shares almost invariably limit registration to Swiss nationals.

Although a very small number of foreigners still hold Zurich registered shares from the period before its bearer stock was introduced, no further entries of non-Swiss had been permitted since.

Following the Nestlé move, it had been assumed that other companies – particularly multinationals – would follow suit. Until now, however, this had happened only in the case of Rieter, a textile-machinery manufacturer.

In a complex series of capital manoeuvres to be proposed to shareholders at the June 14 annual general meeting, Zurich plans:

● The floating of a warrant-bond issue with a nominal value of SFr810m ($463m) with drawing rights for all existing holders of bearer and registered shares, participation certificates and convertible bonds.

● In connection with this transaction, the board will ask approval to raise its share capital from SFr150m to SFr170m by the creation of 200,000 new registered shares of SFr100 nominal value exclusive of drawing rights.

Of these, 162,000 would be set aside to secure the warrant rights from the bond issue, with the remainder to be reserved for later use.

● Any 12 shares, either registered or bearer, of SFr100 nominal value or 24 participation certificates of SFr50 nominal value would entitle holders to one bond of SFr5,000 nominal value, with *ten warrants linked to each bond.*

These ten warrants would, in their turn, entitle the holder to one registered share at a price to be determined at a later date. Since many foreigners are among holders of bearer shares and participation certificates, this formula will give them direct access to registered shares.

This should obviate complaints following the Nestlé transaction that foreigners gained no immediate advantage from the measure, while their bearer stock temporarily plummeted as the price for registered shares soared – to the sole benefit of Swiss investors.

Zurich Insurance stated categorically in Zurich yesterday that *foreigners will be entitled to* stock-ledger entry on acquiring registered shares by means of the warrant conversion.

Foreigners will, like Swiss shareholders, be subject only to provisions in the company's existing statutes which limit the number of registered shares able to be entered into the ledger to 10,000 in the case of individuals and 15,000 for legal entities.

Zurich's board also proposes to raise 1988 dividends from SFr56 to SFr62 per share and from SFr28 to SFr31 per participation certificate, following a rise in parent-company net profits by 19.2 per cent to SFr186.4m.

Du Pont acquires Vickers' litho division for £245m

By Nick Garnett in London

VICKERS, the UK engineering group is selling its Howson Algraphy printing plate business to Du Pont the US chemicals group for £245m (£400m).

The Leeds-based supplier of aluminium lithographic plates had turnover last year of £180.6m, out of Vickers's total sales of £776.3m, and contributed £19.2m out of Vickers' pre-tax profits of £69.8m.

Du Pont, North America's largest chemicals company said it intended retaining the operations at Leeds. Howson employs 2,400 people out of Vickers' workforce of 15,500.

Sir David Plastow, chairman and chief executive of Vickers in which New Zealander Sir Ron Brierley has a 9 per cent stake, said yesterday that Howson's prospects were limited unless it was combined with a large manufacturer of complementary products.

An increasing share of Howson's business was coming from factoring. "The downside was looking kind of tacky," Sir David said. The purchase price is £240m with Du Pont paying a further £5m in interest.

City analysts were generally favourable to yesterday's announcement.

Some suggested, however, that with more than 40 per cent of Vickers' capitalisation in cash, the group could be more vulnerable to a take-over attempt.

Vickers shares closed in London yesterday ½p ahead at 214½p

Du Pont does not make lithographic plate but does supply film and printing electronics. It intends offering customers a full range of products.

Mr Ed Moran, business director for its printing systems division said Du Pont was looking at investing in printing plate production in the US.

The acquisition gives it Philadelphia-based Imperial, a plate maker purchased by Vickers last year.

Mr Moran said Du Pont would invest where the company could best served the market.

Lex, Page 24

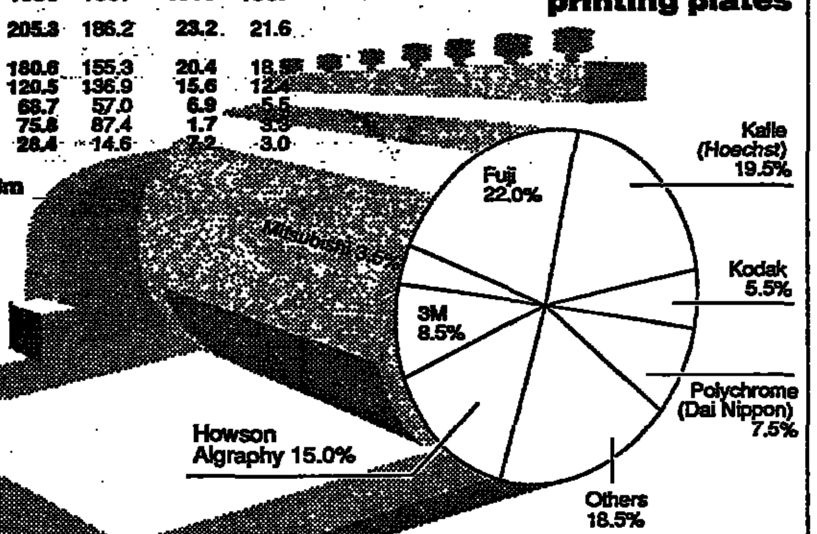
Vickers sales and profit (£m)

Principal activities	Sales 1988	Sales 1987	Profit 1988	Profit 1987
Rolls-Royce motor cars	205.3	186.2	23.2	21.6
Howson-Algraphy printing plates	180.6	155.3	20.4	18.[illegible]
Defence and aerospace	120.5	136.9	15.6	12.4
Medical	68.7	57.0	6.9	5.5
Marine engineering	75.8	87.4	1.7	[illegible]
Other activities	28.4	14.6	2.2	3.0

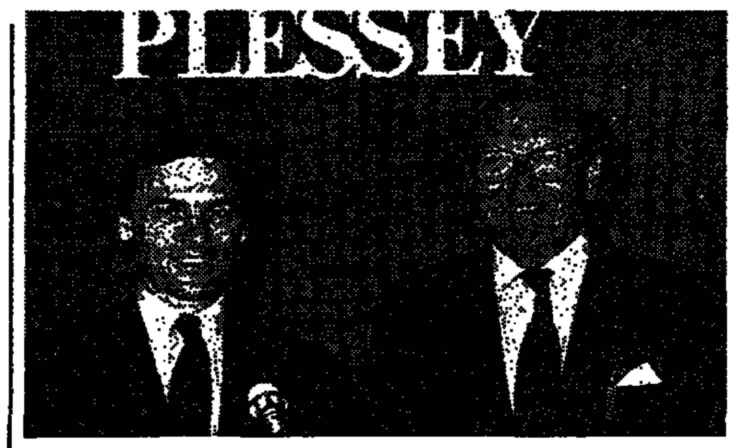
Total sales, 1988 £776.3m

Total pre-tax profit, 1988 £69.8m

World market for pre-coated lithographic printing plates



Source: Howson Algraphy



Stephen Walls (left), Plessey managing director, with Sir John Clark, chairman and chief executive.

Clark defends Plessey as profits rise 14%

By Terry Dodsworth in London

SIR JOHN CLARK, Plessey's crusty, long-standing chairman, marshalled his forces yesterday for what may be the last round in his four-year battle against the General Electric Company.

Presenting the UK electronics group's annual figures, which showed a 14 per cent increase in pre-tax profits to £195.5m ($309m) last year, Sir John launched into an impassioned defence of Plessey's independence.

The results were proof that the company was outstandingly successful "by whatever measure you care to apply," he said. Plessey could offer shareholders a viable alternative to acquisition and dismemberment as a result of a renewed bid from GEC and Siemens of West Germany.

Sir John's assault appeared to have been triggered by fears that a new offer from the GEC-Siemens consortium may be around the corner. This impression was reinforced by Mr Stephen Walls, Plessey's managing director.

Looking spruce and fresh after three months of trawling for support from UK and West German institutions, Mr Walls conceded that the £13m put aside in the full-year figures for bid defence costs included the estimated price for fighting off a new approach. And a renewed offer, he implied, would be followed by further favourable figures.

There is now a general feeling in the stock market that the GEC-Siemens consortium will soon succeed in negotiating undertakings with the Government that will allow it to renew its offer. If so, the consortium is expected to exercise the option, the third bid GEC will have made for Plessey since its original hostile approach in 1985.

The Plessey share price is suggesting something well over the 245p at which GEC-Siemens last bought stock in January, although the shares went nowhere yesterday, losing 1p to 265p, albeit in a falling market.

Lex, Page 24; Results details, Page 32

Kumpulan Guthrie to gain listing

By Wong Sulong in Kuala Lumpur

KUMPULAN GUTHRIE, Malaysia's largest plantation group, is to gain a listing on the Kuala Lumpur Stock Exchange through an offer of 10 per cent of its equity to the local public. It is the biggest flotation the market has seen and will be made by mid-August.

A total of 100m shares will be sold at 2.1 ringgit each to raise 210m ringgit (US$78.2m). Foreign institutions will be able to participate in a second tranche, due within a year, when another 15 per cent of the company will be offered.

The arrival of Kumpulan Guthrie on the market will be the climax of an eight-year operation by the Malaysian authorities aimed at establishing local control over the country's plantations.

The group was part of Guthrie Corporation of the UK which was taken over by Permodalan Nasional (PNB), the Malaysian government holding company, following a dawn raid in the London stock market in September 1981.

PNB sold the non-plantation interests of Guthrie to the British BBA Group last year, and realised a profit of £130m. The latest disposal comes at a time of firm prices for palm oil and rubber, the company's two main products.

Tun Ismail Ali, chairman of PNB, of which Kumpulan Guthrie is currently a wholly-owned subsidiary, said yesterday that the cost of acquiring Kumpulan Guthrie, including interest servicing, was 1.36bn ringgit, and at the issue price Kumpulan Guthrie was now worth 2.1bn ringgit.

About 80m shares in the initial issue, open to general public subscription, are being underwritten by a consortium of local merchant banks and stockbroking houses led by Aseambankers Malaysia. A further 20m shares are reserved for Kumpulan Guthrie directors and staff.

Tun Ismail said PNB would sell another 150m shares within a year to fulfil the listing requirement of 25 per cent public ownership. Most of those shares would be placed with foreign institutional investors, but the price had yet to be determined, he added.

Kumpulan Guthrie is expected to make a pre-tax profit of 182m ringgit for the current year to December and promises to pay a 10 cent dividend.

The group owns 116,000 hectares of plantations in Malaysia and another 12,000 hectares in Liberia, the Philippines and China.

A mountain of cash is left on the plate

Nick Garnett on Vickers' exit from lithography

VICKERS, the UK engineering group, can certainly sell businesses. But does it know how to buy them?

Sir David Plastow, the group's chairman and chief executive, yesterday had some very plausible reasons for selling off the aluminium lithographic printing plate division to Du Pont for £245m ($387m). But there was less help on what Vickers will do with its soon-to-be-bulging war chest.

Leeds-based Howson Algraphy accounted for 23 per cent of last year's group sales at Vickers, products of which range from Rolls-Royce cars to battle tanks and baby incubators. It also contributed 27 per cent of the group's profits.

Howson is a British winner. It is the world's third biggest supplier of printing plates after Fuji of Japan and the Kalle subsidiary of Hoechst, the West German chemicals group, and controls 25 per cent of the European market.

But this is a classic case of a British company bailing out before huge structural realignments, involving far bigger groups, shred its market and its margins. Fuji and BASF, the German chemicals company, have just built plants adding 15 per cent to world production capacity. Margins are falling by 0.5 to 1 per cent a year. Sales growth which kept Howson buoyant is tailing off.

The plate industry is becoming dominated by huge businesses mainly rooted in chemicals and capable of supplying a full range of printing equipment, from film to printing electronics. Vickers, steeped in an engineering culture, decided it had neither the muscle nor the opportunity to defend itself.

"The next two years or so would have been OK, but years three, four and five were at risk," Sir David said yesterday. "We have taken out the risk. In two or three years time, if we had wanted to exit, Howson would have been worth £120m."

However, it is much less clear what Vickers intends to do with its big cash reserves, though Sir David gave some clues yesterday. When the deal is concluded – by the end of July – it will have about £350m to £400m of spending power available, based on a traditional Vickers' gearing of 40 per cent.

The group has four main arms. The two biggest are Rolls-Royce Motors, with sales last year of £205m, and defence and aerospace with sales of £120.5m. The latter business includes military equipment, such as main battle tanks, for which Vickers recently secured a £90m contract to develop the Challenger 2. The other two arms are marine engineering (£75.8m) and medical equipment (£68.7m).

Acquisitions since Vickers' purchase of Rolls-Royce in 1980 have not gone down very well in the City. It bought the Conforto furniture making company, but within two years had decided this was not an area in which it wanted to be, and it got out.

Its acquisition of KaMeWa, the Swedish propeller maker, has not been a money-spinner. Some Vickers critics say its medical equipment purchases in *the US have not performed as* well as they should have.

Vickers is perhaps right in thinking that the criticisms of its acquisitions have been overdone. Most have been made for less than a price/earnings ratio of nine. However, Vickers will have to show how it can use its bulging bank balance to develop its businesses.

Sir David said yesterday that the company would not sit on the money like a mini-GEC. It would not go into the buying and selling game like Hanson. It would not go for "blue sky" businesses – companies in sectors it knew nothing about.

He also said there was no need to rush, with interest rates at 13 per cent. Vickers expected to use most of its cash build-up in the next 18 months to two years in developing its main sectors, he added.

Most observers do not expect to see anything dramatic in the short term. They also expect to see whatever acquisitions are made to be in precision components for civil and military aerospace equipment, in medical equipment and perhaps in military vehicles.

It is hard to envisage how Rolls-Royce Motors, which spends 10 per cent of sales on product development, can be augmented. One or two small companies might be picked up in Vickers' dull marine engineering sector. There has been market speculation about Vickers buying VSEL, the submarine builder, but the idea seems to leave group managers completely cold.

Du Pont had been looking for a printing plate business for some time and approached Vickers a year-and-a-half ago. It had first discussed a joint marketing venture with Vickers and had looked *at the purchase of another plate-*making company. The threat of Du Pont entering the market anyway was an added fillip for Vickers to get out now.

Everbody in the lithographic plate industry has been expecting someone to drop out. But with Du Pont now coming in, there still seems to be at least one too many big suppliers.

INTERNATIONAL COMPANIES AND FINANCE

Bond sells £149m Allied-Lyons stake

By Lisa Wood and Gordon Cramb in London

BOND Corporation, the beleaguered Australian conglomerate, yesterday raised £149m ($241m) with the sale of nearly half its 9.9 per cent stake in Allied-Lyons, the UK food and drink group.

The 33.5m shares, representing 4.4 per cent of Allied's equity, sold at at 445p per share and was widely placed with a number of institutions. Allied's shares closed at 444p, down 37p, since the wide placing reduced the likelihood of an takeover bid for Allied.

The unheralded disposal represents the latest of persistent efforts by Mr Alan Bond over the past few weeks to restore credibility to a sprawling and debt-laden empire which encompasses media, property and minerals and brewing.

Bond started building a stake in Allied, which brews Bond's Castlemaine XXXX lager under licence, in 1987. To the consternation of Allied, the stake rose to 11.4 per cent last year. Some 7 per cent was refinanced through 10-year convertibles, exchangeable any time after March 31st 1989. The shares sold yesterday, at a 5.5 per cent discount to the market, were all those not tied to a convertible.

Last month Bond's stake in Allied slipped to 9.94 per cent after some holders of the first tranche of bonds – having received the end of March coupon – converted their securities into Allied shares.

The placing of the Allied shares lends weight to expectations that Mr Bond has suspended large-scale acquisition moves in the UK, where he last year embarked on an abortive assault on Lonrho, the trading multinational.

Although he has failed to secure an adequate price for his 20.4 per cent stake in Lonrho, Mr Bond insisted last Friday he was "quite content" to retain the holding.

He was speaking in Sydney as he unveiled the planned A$3.5bn transfer of his beer business from Bond Corporation, his master company, to Bell Resources, a quoted offshoot which he would restructure and sell down his stake from 58 per cent to around 40 per cent.

The measure is designed to reduce the parent's borrowings.

The Allied stake was not included in the brewing interests to be transferred to Bell Resources. Under Friday's proposal, Mr Bond will cede direct control over G. Heileman, a US brewer he acquired for $1.3bn in 1987, as well as his three domestic beer companies – Swan in Western Australia, the Queensland-based Castlemaine XXXX, and Tooheys, the leading New South Wales brand which is to be launched in the UK next month.

Ahead of the London market placing, shares in Bond Corporation yesterday lost nearly half of Friday's gain, closing 7 cents lower in Sydney at A$1.28. In contrast, Bell Resources added a further 11 cents to A$1.18. Both were up 15 cents the previous session.

Crédit Lyonnais to raise stake in Bergamasco

By Alan Friedman in Milan

CREDIT Lyonnais, the French bank which last week agreed to buy effective control of Credito Bergamasco, a northern Italian private sector bank, is to make a partial public offer for additional shares to bring its total holding in Bergamasco up to nearly 89 per cent.

The new offer will bring the French bank's total spending on Bergamasco to around $390m. The French bank has already spent L340bn ($243m) acquiring 29.68 per cent of the 90-branch Bergamasco, placing a total value of L1,100bn on the Italian bank.

The new public offer, which will be made at the same price that was paid for the initial equity – L52,000 per share – is being made for 4m shares, or 18.18 per cent, of Bergamasco.

Crédit Lyonnais was at pains to stress yesterday that under Italian company law it has no obligation to make any additional offer.

The offer, at the same price as last week's purchase, is believed to have come about as a result of advice given both by J. Henry Schroder Wagg, the UK merchant bank that has been advising Lyonnais, and Senator Guido Rossi, a corporate legal adviser and legislator who has championed the rights of minority investors in Italy.

Bid for Holly Farms increased

By Deborah Hargreaves in Chicago

HOLLY Farms, the US chicken processor, has agreed to be acquired by flour milling giant, ConAgra, after the company increased its offer to $1.38bn.

The merger will create the US's largest chicken producer, which will hold a 17 per cent market share.

The agreement looks likely to end the seven-month-long battle for Holly, although the other suitor, fellow chicken producer Tyson Foods, said it would continue to fight in the courts.

The agreement between Holly and ConAgra will be put to a shareholders' meeting before the end of July. A previous deal reached by the company's board was rejected by Holly's shareholders in favour of Tyson's all-cash bid.

ConAgra's latest offer is a stock-swap deal roughly valued at $74.81 a share. Holly has agreed to pay a termination fee of $15m and reimburse ConAgra's expenses to $10m if the deal does not go through.

However, the latest arrangement has dropped the controversial lock-up provision from the previous deal. This was a clause compelling Holly to sell certain assets to ConAgra even if the merger was not successful. Tyson Foods had challenged the provision in court.

High interest rates will make it difficult for Tyson to raise its $1.12bn cash bid for Holly as that bid would already have raised debt to over 80 per cent of the company's capitalisation. But the firm has not ruled out returning to the fray with a sweetened offer.

The bidding war for Holly reflects the severe capacity constraints of a booming US chicken market, where consumers are turning away from red meat. The Holly-ConAgra combination will produce some 17m chickens a week.

Holly's share price got a boost from the deal yesterday and rose $4 in midday trading in New York to $66⅞, while ConAgra dropped $2⅛ to $33⅛.

Restructuring hits Karstadt profits

KARSTADT, the large West German retailer, said that its 1988 group net profit fell 17.4 per cent to DM141.8m ($72m) from DM171.6m in 1987 because of extensive restructuring costs, and that it will pay an unchanged dividend of DM9 for the year, writes Our Financial Staff.

Parent company net profit fell 25 per cent to DM89.8m from DM119.8m a year earlier. In January, Karstadt said that group sales rose 4 per cent in 1988 to DM14.3bn from DM13.8bn in 1987.

Karstadt said the restructuring involved changed distribution arrangements and the modernising of many of its stores. "Those costs have gone well into the double-digit million mark range."

GERMAN BRIEFS

● Feldmühle Nobel, the West German conglomerate in which a controlling 46 per cent stake is passing to Veba, said that group sales rose 6.8 per cent in the first quarter of 1989 to DM1.99bn from DM1.86bn a year earlier.

Feldmühle said that operating profits rose more than the increase in sales due to considerable improvement in the Buderus construction and kitchen equipment division.

Feldmühle said it expects 1989 results to be satisfactory and that the group is increasing its investments. Group net profit last year was DM159m.

● Viag, the West German conglomerate, plans to raise its 1988 dividend from DM6.50 a share to DM7.50. The payment, and an increase in authorised capital to DM220m, will be proposed to shareholders at the annual meeting on July 14.

Bobst lifts payout and forecasts sales gain

By William Dullforce in Lausanne

BOBST, the world's leading producer of machinery for converting cardboard and paper into printed packaging, expects to increase sales by more than 10 per cent to SFr1.1bn ($630m) in 1989, Mr Bruno de Kalbermatten, its chairman and chief executive, said yesterday.

Last year group turnover climbed by 17.5 per cent to SFr986m and consolidated net earnings advanced by 14.1 per cent to SFr35.6m. Cash flow rose slightly more to SFr72.1m.

The parent company is to raise the dividend from SFr28 to SFr30 per registered share and participation certificate, and from SFr56 to SFr60 per bearer share. This will be the fifth successive rise.

Bobst generates 95 per cent of its sales outside Switzerland. Last year it saw particularly strong growth within the European Community, where the share of total turnover rose to 57 per cent from 48 per cent in 1987. US sales declined from 20 to 14.7 per cent of the total, mainly because customers were holding back on capital spending, according to Mr de Kalbermatten. But for the first time the Swiss group scored a breakthrough in sales to Japan.

For the past three years Bobst has been investing heavily in automating its manufacturing capacity and in the computerisation of its products. It is building new plants at its Lausanne base and in France.

A new factory is also scheduled to come on stream at Piacenza, Italy, the home of Schiavi, a producer of packaging printing equipment, in which Bobst bought a 50 per cent stake last year.

Capital expenditure in 1988 amounted to SFr52m and SFr100m is being spent over four years to modernise the Swiss factories.

The consolidated balance sheet, with shareholders' funds of SFr335m out of total liabilities of SFr780m and SFr143m in liquid assets, nevertheless reflects sustained financial strength.

US tyre purchase spurs Continental

By Haig Simonian in Hanover

GROUP NET profits at Continental, the West German tyre maker, jumped 40 per cent to DM194.8m ($99m) last year from DM138.8m in 1987. The increase was due to the first-time inclusion of earnings from General Tire, the US tyre group purchased in October 1987, continuing strong demand and a marked drop in the group's average tax rate.

Sales soared by 55 per cent to DM7.9bn, enabling the company to raise its dividend by DM1 to DM8 a share – the fourth increase in a row. The chances of further increases were promising, the company suggested.

Some DM2.5bn of the DM2.8bn rise in sales came from General Tire, without which turnover would have risen by 6.1 per cent, said Mr Horst Urban, Continental's chief executive.

Sounding an optimistic note, Mr Urban said group sales in the first quarter of this year rose by 10.8 per cent to DM1.95bn. Sales should reach DM8.4bn this year, with tyre production about 10 per cent higher, and profits are set to rise once again, although the growth rate is expected to slow sharply.

The company, which has now consolidated its position as the world's fourth-biggest tyre manufacturer, plans to round out its tyre manufacturing activities by acquiring producers outside Europe and the US.

Future European expansion will be focused on non-tyre automotive acquisitions and continuing consolidation of its position in tyre distribution and retailing. To this end, it has recently taken a minority stake in the Smiley group, a UK tyre distributor with 50 outlets.

While Continental has benefited strongly from the continuing upswing in car production, allowing volume growth of about 10 per cent in tyre production, Mr Urban distinguished between rising production and higher profits. Competition between leading manufacturers remains fierce, meaning that tyre prices have fallen, despite a third year of buoyancy in the new car market.

As a result, Mr Urban stressed that Continental would aim to squeeze even more production out of its existing plant rather than invest in new capacity. He recognised that the need for Saturday, and even Sunday, working could cause difficulties with domestic labour unions, but he predicted that by 1991 all the group's tyre plants would be working seven days a week, as would most of the ContiTech auto equipment subsidiary.

Circle K puts itself up for sale and warns of loss

By Roderick Oram in New York

CIRCLE K, the US convenience stores with extensive operations abroad including the UK, has put itself up for sale after reviewing ways to maximise its value to shareholders.

The market reacted cautiously, lifting shares of the Phoenix company by only $¾ to $13⅝, well below the $16 to $20 a share some analysts believe it might be worth. At yesterday's trading price Circle K is worth about $600m.

Mr Karl Eller, chairman and chief executive, advised the board he might try to launch a leveraged buyout. He would face an uphill task because the company has some $1bn of debt, representing about 70 per cent of its capital.

Circle K said "various parties" had asked about buying some or all of the company though there were no firm offers yet. It has hired Wasserstein, Perella, the Wall Street mergers and acquisitions specialist, to review offers.

The company also said it would report a loss for its fourth quarter to April 30. During the first two months of the period it suffered from pressure on its petrol margins in the western US and on general merchandise margins. Both sectors improved during April.

Nobel in talks over Philips' Sweden unit

By Robert Taylor in Stockholm

NOBEL INDUSTRIER, the largest chemicals and ordnance conglomerate in Sweden, is negotiating with Philips of the Netherlands to acquire a majority stake in Philips's electronic defence operations in Sweden.

Philips Electronics in Sweden – known as PEAB – had an annual turnover of SKr1bn ($151m) last year and employs 1,800 people. The deal with Nobel is regarded as the best way of ensuring a future for electronic defence operations in Sweden through co-ordination with Bofors, which is part of the Nobel group.

The announcement suggested that Bofors would bring Philips Electronics further competence and resources for its defence business, which would help build up a "unique and unified industrial defence asset for Sweden and export markets."

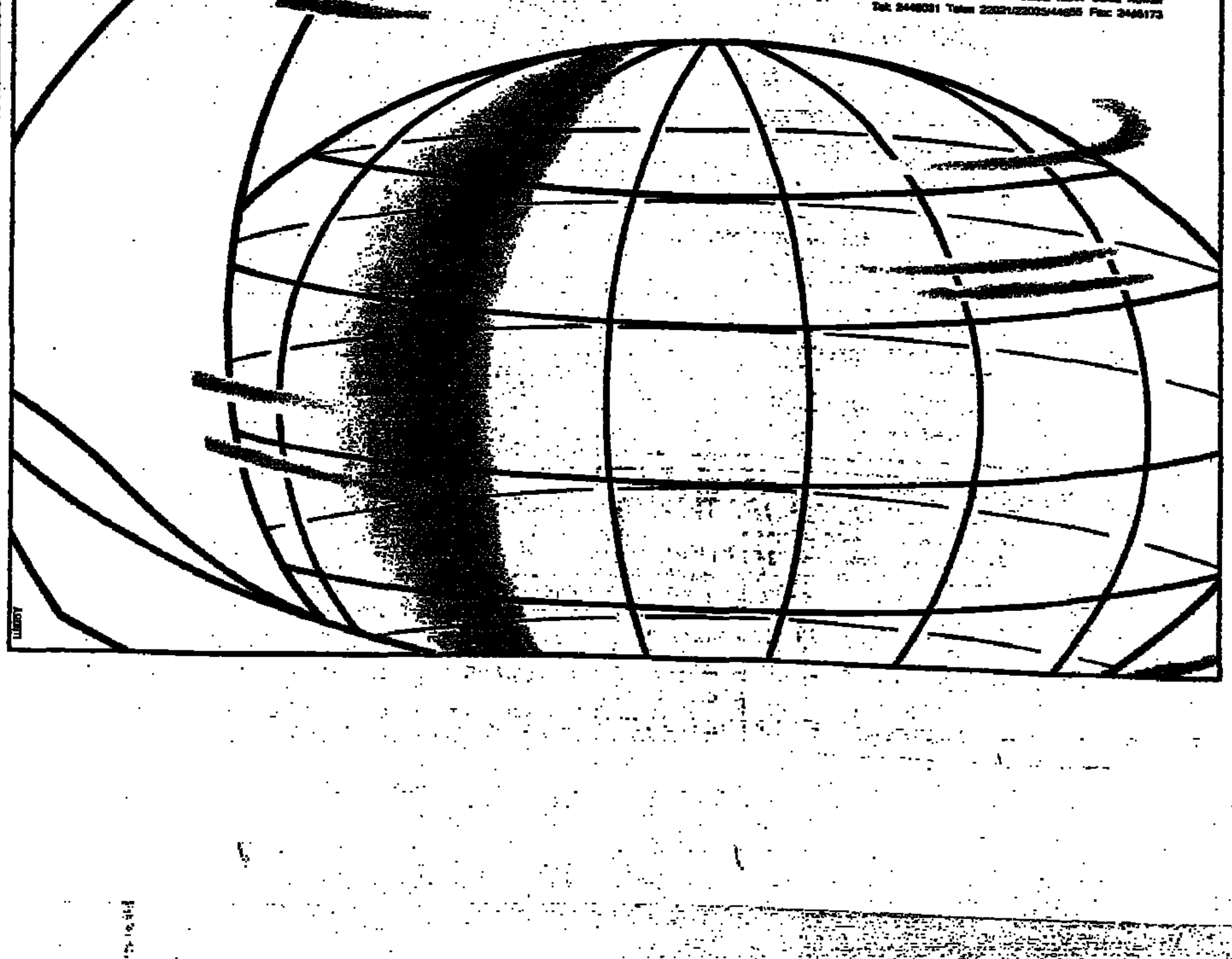
Nobel also said its adhesive and paints subsidiary Casco, which has become one of Europe's leading industrial coatings companies, is selling off 49 per cent of its control and 70 per cent of its votes in the Danish firm, Kemisk Vaerk Köge-KVK, through a deal with Dan Pigment Holding, part of Sun Chemicals of the US.

KVK manufactures organic pigment and pigment preparations as well as being the biggest producer of herbicides in Scandinavia. It also makes – on a small scale – chemical-technical products for the engineering and construction industries.

● Fermenta, the Swedish antibiotics, chemicals and finance group, lifted profits after financial items by 25 per cent in the first four months of 1989 to SKr55m from SKr44m a year earlier.

Sales rose 125 per cent to SKr1.78bn from SKr793m, boosted, apparently, by a strong performance in Fermenta's chemicals and pharmaceuticals operations through its subsidiaries in the US and Italy.

Mr Bertil Holmberg, Fermenta's chief director, said the good results were expected to continue over the rest of 1989.



T. Boone Pickens: will go to Koito's annual meeting

Pickens to fight for seats on Koito board

By James Buchan in New York

MR T. Boone Pickens, the Texas oilman and stock-market raider who recently bought 20 per cent of Koito Manufacturing, is planning to attend the Japanese company's annual meeting next month to push for three seats on the company's board.

"We're all set to go," Mr Pickens said in an interview in New York yesterday. "We asked to have four people there and they said we could have one. Maybe, we'll have our people standing if there aren't any chairs."

Mr Pickens' plan to push for board representation at the motor components company's June 29 meeting is the latest move in a conflict of will and manners between the free-wheeling Texas raider and Japan's tightly knit corporate establishment.

In April, Mr Pickens stunned the Tokyo stock market by acquiring 20.2 per cent of Koito to become the largest shareholder in the company. Koito is closely allied with Toyota Motor, Japan's largest car maker.

The block is worth about $1bn at current share prices, and is one of the largest unsolicited investments made in a Japanese company by a foreigner.

Mr Pickens made a fortune in the mid-1980s from stampeding US oil companies such as Phillips, Unocal and Gulf into defensive mergers or recapitalisations. He is believed in Tokyo to want to bully Toyota, which has three seats on Koito's board, into buying him out.

The block of 32.4m shares was acquired from Mr Kitaro Watanabe, a Japanese stock speculator, who had failed to make headway with Toyota. The prospect of Mr Pickens putting pressure on Toyota has also been ridiculed in Japan.

Mr Pickens admitted ruefully yesterday that he had not predicted the strength of the Japanese reaction to his move, but said he would still push for board representation. "When we asked Koito to go on the board, they said we'd have to get better acquainted and earn their trust," he said. "But if you own a car, you drive it. You don't have to convince people that you look good in the driver's seat."

With some 60 per cent of Koito locked up in cross-holdings with several Japanese manufacturing and financial companies such as Toyota and Nissan, Mr Pickens accepts that he cannot take over the company – and he adds that he would not want to run it.

"I've said we're a long-term holder," he said. "Are we still a long-term holder if we have no contact with the company? We'll have to see at the annual meeting."

The investment has been made by Boone, a partnership between Mr Pickens and two associates.

Japanese disk drive makers load up trouble

Two US companies' problems may hit the rest of the industry, writes Louise Kehoe

Developments at two prominent US manufacturers of computer disk drives signal industry-wide problems that could lead to broad restructuring in the face of volatile market trends and intensifying foreign competition.

Last week Miniscribe, the second largest US merchant disk drive manufacturer with 1988 sales of more than $600m, said its financial results for the past three years "should not be relied upon" and that it may not be able to accurately restate them.

Quantum, a technology leader in the personal computer disk drive market, then announced it had filed a suit against Sony of Japan alleging unfair competition, patent infringement and dumping.

Miniscribe's problems and Quantum's litigation reflect an industry in turmoil. Up to 80 US companies are competing for a share of the personal computer disk drive market, according to Dataquest, the market research firm.

Although the US market grew by more than 40 per cent last year, growth is slowing, and demand is shifting to a new generation of 3½ inch diameter drives with higher storage capacity. Channels for distribution are also changing as hard disk drives become a standard part of most personal computers, rather than an add-on product.

The imminent entry into the market of Japanese electronics manufacturers, which are gearing up production of the small disk drives used in personal computers and workstations, is increasing pressure on US drive makers. Sony is the first to win significant sales in the US, but NEC, Hitachi and Matsushita are not far behind, according to analysts.

"US manufacturers are in danger of losing a substantial part of the market to Japanese competitors," says Mr Phil Devin of Dataquest, who forecasts a major consolidation among US manufacturers.

Quantum's litigation has sounded a warning bell. According to the suit, Sony has shown "wilful and wanton disregard" of Quantum's patent rights. "Not only do we believe that Sony has infringed our patents, but their drive looks identical to ours. It is obvious to us that Sony has even copied our architecture – after 10 years in the drive business I have never seen anything like it," says Mr Stephen Berkley, Quantum chairman.

The company further charges Sony with trying to win business in the US by pricing its drives below cost. According to a statement, Sony is offering its drives in large quantities at prices ranging from $225-$230. Considering that Sony is new to the manufacturing disk drives business, this price is "certainly below their manufacturing costs," Mr Berkley claims.

Both Quantum and Sony have won $100m contracts to supply drives to Apple Computer, which previously purchased all its drives from US manufacturers.

> **'Not only do we believe that Sony has infringed our patents, but their drive looks identical to ours...after 10 years in the drive business I have never seen anything like it' — Stephen Berkley, Quantum chairman**

Yet the US disk drive industry is hardly in a position to blame all its troubles on alleged Japanese "unfair trade" tactics.

Problems emerged about nine months ago, when computer makers began replacing standard 5¼ inch drives with new 3½ inch drives much faster than some US drive manufacturers had anticipated.

Japanese drive makers, including Sony which was just entering the field, moved quickly to take advantage of the opportunity. Meanwhile some of the largest US manufacturers found themselves with a glut of old 5¼ inch drives and with factories geared to manufacturing products that were no longer in *strong demand*.

At Seagate, the largest merchant US drive manufacturer, the problem was reflected in disappointing results for the June and September quarters.

Miniscribe appeared to be riding out the storm with remarkably strong sales and earnings. It is now apparent, however, that its sales and profits may have been misstated and its accounting methods were deficient.

"The accounting controls then in effect and existing records and documentation may not permit the company accurately to quantify and correct overstatements of assets" for the period 1986-1988, said Mr Richard Rifenburgh, chairman of Miniscribe.

Until February, Miniscribe was headed by Mr. Q.T. Wiles, a renowned high technology "turnaround" expert. Mr. Wiles is the vice-chairman of Hambrecht & Quist, a San Francisco investment banking group which owns 16 per cent of Miniscribe.

Mr Wiles split Miniscribe into small product groups, each with its own manufacturing, purchasing and sales arms and profit and loss responsibility. These groups operated with a high degree of independence but faced intense pressure to meet very short-term sales and profit goals.

Since Mr. Wiles' departure, a *centralised management structure* has been introduced, Miniscribe said.

Miniscribe's problems are likely to rebound throughout the industry, predicts Phil Devin of Dataquest, who points out that it is a debtor to several parts suppliers. However, the company says it has agreed to payment schedules with all its suppliers.

Yet the legal and financial problems facing Miniscribe raise questions about its ability to continue operations. It faces two class action suits filed by shareholders and is in danger of losing its listing on the NASDAQ over the counter market. It is in technical default on $98m worth of debentures and acknowledges that its cash flow is "very tight."

If the company were to collapse, as some fear, it would leave a large vacancy in the market that could represent an open invitation to new Japanese suppliers.

Amerada Hess pays $911m for gas fields in Gulf of Mexico

By James Buchan

AMERADA HESS, the ambitious New York-based oil and gas company, is paying $911m in cash for a large swathe of gas reserves in the Gulf of Mexico, bought from Transco, the gas pipeline company.

The deal was announced yesterday. It will sharply increase Amerada's base of proved reserves of gas – but at the cost of a big increase in debt. Wall Street reacted badly to the announcement, driving Amerada's stock down nearly $2 to $37⅞ by noon yesterday.

In contrast, Transco, a Houston-based gas pipeline company which is essentially leaving the exploration and production business, rose modestly in early trading.

The share price of Transco Exploration Partners, the company's publicly-floated upstream division, rose by nearly a third.

Amerada said yesterday that it had agreed to buy most of the oil and gas properties of Transco Exploration Partners, the pipeline company's 74 per cent affiliate which it has been seeking to liquidate.

Under the deal, Amerada will acquire some 518bn cubic feet of proved and probable reserves of natural gas, and more than 12m barrels of oil in the Gulf of Mexico, offshore Louisiana and Texas.

At the end of last year, Amerada owned about 1.5 trillion (1.5 million million) cubic feet of proved gas in the US, Canada and the North Sea.

The deal includes 41 gas fields, three oil fields, various shore-based support services and a gas supply contract. It is the latest in a series of big gas-property sales, with some large companies and independents betting on an upturn in the price of the fuel in the early 1990s.

During the 1980s, the price of gas has been volatile, weakening to around $1.50 per million cubic feet from a brief peak of more than $3.

But some investors are betting that there will be a big switch to gas because of abundant domestic supplies and its "clean" burn.

● Olin, the diversified US group, has completed the sale of its Olin Hunt Worldwide photographic chemicals business to Fuji Photo Film for about $75m, AP-DJ reports. Olin said that the after-tax proceeds will be used to retire debt.

Compaq adds kick to PC power

By Louise Kehoe in San Francisco

COMPAQ Computer beat arch rival IBM to the punch yesterday with the launch of what is claimed to be the "most powerful and expandable desktop personal computer in the world."

The new machine also represents a challenge to computer workstation and minicomputer manufacturers in their traditional business markets.

Compaq's new Deskpro 386/33 is based upon Intel's latest 33 MHz version of its 386 microprocessor which is more than 30 per cent faster than earlier versions.

The new PC is aimed at sophisticated applications such as computer-aided design, financial modelling and software development, and for use as a host in multi-user systems.

In these applications personal computers compete directly with computer workstations, such as those offered by Sun Microsystems and Hewlett-Packard.

Compaq's announcement, which significantly boosts personal computer performance, is expected to intensify competition in this sector, which is the fastest growing part of the computer market.

Priced at $10,500 to $18,000, depending upon the system configuration, the new Compaq personal computer outperforms Digital Equipment minicomputers by a substantial margin, claimed Mr Michael Swavely, president of Compaq's US operations.

He predicted that as personal computer performance increases PCs will become the building blocks of networked computer systems that replace mainframes and minicomputers in all types of applications over the next two decades. Such a transformation would, he said, reduce the cost of computer power.

Compaq also announced yesterday a lower priced version of its 386SX model, a single user 386-based personal computer which offers many of the features of the higher priced machines for a price of $4,699.

INTERNATIONAL COMPANIES AND FINANCE

Return to core businesses helps Premier raise sales

By Jim Jones in Johannesburg

PREMIER GROUP, the South African food and consumer products supplier, raised total sales by almost a third in the year to March to reach R4.15bn ($1.53bn) from R3.20bn. Pre-tax profits reached R299m against R216m.

The company expects further growth this year despite what Mr Peter Wrighton, chief executive, describes as instability in the South African economy and punitive interest rates.

In Johannesburg yesterday Mr Wrighton said the group had concentrated recently on rationalising operations where performances were not satisfactory.

The egg division was sold in the latter part of the year and the loss-making broiler chicken division is being restored to profits after being merged with two competitors.

Mr Wrighton said Premier's traditional core businesses – food, fishing, pharmaceuticals, wholesale and retail distribution, and entertainment and leisure – now contribute about 35 per cent of earnings against 65 per cent derived from the controlling shareholding in South African Breweries (SAB).

The core businesses provided only 10 per cent of earnings in 1985, he said, adding that the change indicates the growth in the traditional businesses.

Mr Wrighton was reluctant to forecast this year's likely performance, saying the the outlook is clouded by a "go-stop-go" economy, high interest rates, divestment, sanctions and a politicised labour force.

None the less, he expects sales and profits to grow this year.

Net earnings rose to 419 cents a share from 317 cents and the dividend has been increased to 172 cents from 140 cents.

Coal side lifts Rand Mines

By Jim Jones

FIRMER EXPORT demand for coal and increased profits from base minerals operations allowed Rand Mines, the South African mining group, to overcome poor gold mining revenues during the six months to March.

Pre-tax profit increased to R141.9m ($52.4m) from R98.2m on turnover of R520m up from R386m.

Operating profit before dividend income, exploration expenditure and tax rose to R138.2m from R92m.

Last week the group warned that two of its gold mines, East Rand Proprietary Mines (ERPM) and Durban Deep, faced closure unless the state provided financial assistance to cover operating losses at present gold prices. The request is being considered by the cabinet this week, underlining the seriousness of possible mine closures.

More than a dozen gold mines producing about one fifth of South Africa's gold are unprofitable at present.

Coal export prices and demand were firm as consumers turned back to South Africa when other producing countries were unable to meet contractual sales.

Demand for chrome and stainless steel has been particularly strong and, in the six months, Rand Mines lifted its interest in Vansa, the new vanadium producer, to more than 50 per cent. A platinum mine is being developed and is expected to produce its first metal late this year.

Net earnings increased to 830 cents a share from 596 cents and the interim dividend has been raised to 120 cents from 105 cents. Last year's earnings totalled 1,467 cents and the year's dividend was 450 cents.

Rand Mines is controlled by Barlow Rand, the industrial and mining group.

● Lydenburg Platinum lifted pre-tax profits to R12.48m in the six months to April from R10.67m, and has lifted its interim dividend to 70 cents per share from 61 cents.

This was paid from net earnings per share of 86.7 cents compared with 74.0 cents – the previous year's figure excluded any benefit from a R9.33m special dividend received from Rustenburg Platinum. Lydenburg said the income was retained in part to finance the purchase of a stake in Lebowa Platinum.

Barlow Rand's turnover up over 25%

By Jim Jones

BARLOW RAND, the South African industrial and mining group, lifted sales by more than a quarter in the six months to March and expects stronger exports to help offset any slowing in domestic demand during the second half.

On turnover which increased to R12.4bn ($4.6bn) from R9.88bn, pre-tax profit was R1.20bn against R860m.

Practically all the group's non-mining divisions benefited from stronger demand although Mr Warren Clewlow, the chief executive, expects consumer demand to slacken in the wake of recent austerity measures introduced to curb imports.

Nevertheless he believes the domestic economy is underpinned by black consumers and businessmen.

Black entrepreneurs are moving upwards from the informal sector into the formal at a greater rate than expected, adding momentum to the economy. Economic growth is also being underpinned by improved exports.

Foreign demand for ferro-alloys, stainless steel and coal has been particularly firm, while packaging and other subsidiaries have increased their export market penetration.

Net earnings increased to 238 cents a share from 172 cents and the interim dividend has been lifted to 51 cents from 39 cents. Last year's full earnings were 408 cents and the year's dividend 130 cents.

Asahi Chemical scores 33% gain at pre-tax level

By Robert Thomson in Tokyo

ASAHI CHEMICAL Industry, the leading Japanese manufacturer of acrylic fibres, has announced a 33.2 per cent increase in annual pre-tax profit to Y71.9bn ($535.7m) despite a slight fall in fibre sales.

The company has been expanding its building materials division, which experienced strong demand in line with the increased sales in the building industry.

Fibres have fallen below 20 per cent of the company's sales for the first time, while building materials and houses now account for about 30 per cent, and chemicals and plastics, for which sales grew steadily last year, comprise about 47 per cent.

Total sales rose 6.8 per cent to Y817.8bn, which is a record, and sales for the current year are expected to be about Y870bn with pre-tax profit predicted to be around Y75bn.

● Mitsubishi Rayon, another leading acrylics producer, lifted pre-tax profits 4.8 per cent to Y9.16bn on sales up 3.3 per cent to Y200.3bn.

Oji Paper reports 48% rise in pre-tax profit

By Stefan Wagstyl in Tokyo

OJI PAPER, Japan's largest paper maker, which has been making investments in North America and in Europe, yesterday reported a 47.7 per cent increase in annual pre-tax profits to Y47.2bn ($340m).

Profits exceeded the previous record reached in 1985 due to strong demand which boosted margins, said Oji, which was reporting parent company results for the year to March.

Sales rose 8.5 per cent to Y421bn, with large increases recorded in sales of paper for newspaper and magazines.

Net profit was Y23.0bn against Y15.7bn.

The dividend was increased to Y8.5 with the addition of a Y1.5 special dividend.

For the current year, Oji expects sales to increase to about Y475bn but profits could be flat due to a rise in raw material costs caused by the recent fall in the yen.

Olympus Optical boosts revenue from cameras

OLYMPUS OPTICAL, the Japanese camera maker and the world's largest maker of endoscopes, reported significant growth in camera sales in the first year of its new annual accounting period in which consolidated pre-tax profit was Y13.13bn ($95m) writes Robert Thomson in Tokyo.

Sales of cameras rose 47.4 per cent, endoscopes 5.2 per cent, and microscopes 4.1 per cent, while consolidated sales were Y191.6bn.

Sales for the parent company alone were Y139.18bn with a profit to end March of Y9.74bn.

It is expected that sales will rise 11.4 per cent this year, while profit is predicted to increase 18 per cent on the basis of continuing growth in camera sales and a reduction in sales costs.

Disclosed profit increases 27.6% at Volkskas

By Jim Jones

VOLKSKAS, South Africa's fourth largest banking group, increased its disclosed after-tax profit by 27.6 per cent in the year to March in spite of significantly narrower banking margins during the second half.

The disclosed profit rose to R91.0m ($33.6m) from R71.3m, total assets increased to R18.4bn from R15.1bn and advances increased to R10.4bn from R8.9bn.

The bank's growth has been slower than that of some of its large competitors which have been particularly active in developing mortgage-lending business.

Volkskas owns 30 per cent of United, the country's largest building society, and is in turn owned 30 per cent by United.

Mr Danie Cronje, the managing director, has not forecast this year's likely performance. However, demand for consumer credit is slowing in the wake of credit curbs and higher interest rates.

Net earnings were 214 cents a share against 186 cents and the year's dividend has been raised to 78 cents from 73 cents.

INTERNATIONAL CAPITAL MARKETS

Toyota Motor launches $1.5bn warrants issue

By Andrew Freeman

EUROBOND traders searched largely in vain for fixed-rate funding opportunities yesterday as the dollar continued its rise and central banks found their efforts to stem its progress enfeebled by the strength of the foreign exchange markets.

Nevertheless, dealers reported excellent retail demand for quality dollar-denominated bonds and speculated that some long-term holders of such paper might be tempted to take profits this week.

INTERNATIONAL BONDS

New-issue activity was limited and was dominated by two dollar deals. Nomura International was the lead manager of a $1.5bn equity warrant deal for Toyota Motor Corporation, equalling the largest deal launched in this sector. Later this week, Mitsubishi Heavy Industries is scheduled to launch another $1.5bn deal via Nikko Securities.

The Toyota bonds were launched with an indicated coupon of 4⅜ per cent and traded comfortably. After reaching as high as 102 bid, the paper traded down to close at around 100 bid, significantly above the 2¼ per cent discount for full fees.

Widespread demand was strongest in Tokyo. The lead manager said it had bought back some bonds in the market as co-managers looked to take immediate profits, but added that the amount was small in relation to the issue size. Nomura is understood to have kept a substantial portion of the issue.

Elsewhere, Merrill Lynch was the lead manager of the $100m seven-year deal for the Republic of Austria, which received a warm reception amid pent-up demand for quality dollar paper. The bonds offered a 9¼ per cent coupon and were priced at 101½ to yield some 45 basis points over US Treasuries.

New-issue traders said the terms were right and the lead manager reported widespread demand, although there was comment that the issue's relatively small size might prove a handicap to its eventual liquidity.

The bonds were quoted at less 1.20 bid, well inside underwriting fees of 1⅞ per cent. The launch spread tightened sharply to around 33 basis points as the Treasury market continued its strong form.

There was much speculation about the swap behind the deal. Norinchukin was the counterparty with the borrower, and the funds were swapped into floating-rate D-Marks using what an official described as a complicated structure. It is understood that the borrower's funding target, thought to be some 40 basis points below Libor, was reached.

In Germany yesterday, prices dropped by around 15 pfennigs in quiet market conditions. Dealers said the continuing strength of the dollar was behind the falls. However, short covering in later trading saw prices stabilise to close around 10 pfennigs lower on the day. There were no new issues.

Last week's currency-linked DM500m deal by the Republic of Ireland fell by around 20 pfennigs to less 2.70 bid, outside fees of 2½ per cent.

In Switzerland, Euro-SFr interest rates were up again, with the six-month rate rising by ⅛ to 7⅜ per cent. Dealers reported low turnover and mixed prices on the international bond market.

The African Development Bank SFr150m 6¼ per cent issue was trading at 97¼ bid against a 100¼ issue price, unchanged from Friday but down from the opening level of 98¼ bid when secondary trading of the deal began last Wednesday.

● The Bank of Italy will hold a L2,000bn reverse repurchase securities tender on government certificates (CCTs) maturing in April and May 1995. The paper will be repurchased from May 25 through to May 29.

The bank's last reverse repurchase tender, held last week, was a L1,500bn operation undertaken at a weighted average yield of around 11.95 per cent. The maximum yield was 12.25 per cent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Toyota Motor Corp.♦	1.5bn	(4⅜)	100	1993	2¼/1½	Nomura Int.
Austria, Republic of◆	100	9¼	101½	1996	1⅞/1¼	Merrill Lynch (Europe)
ASLK-CGER-IFICO(a)◆	40	10	101⅞	1996	1⅞/1¼	Mitsubishi Finance Int.
Interfinance Cr.Nat.(b)◆	30	15¼	101	1990	1/⅝	Bankers Trust Int.

♦With equity warrants. ◆Final terms. a) Call at par after 2 years. b) Borrower option to redeem in DM/$ at strike price of DM1.90 per $.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday 22 May, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	62.7965	31.2352	44.2093
Albania	(Lek)	9.8361	6.2234	3.0955	4.3813
Algeria	(Dinar)	11.5463	7.3054	3.6337	5.1431
Andorra	(Fr Fr)	10.7525	6.8032	3.3839	4.7895
	(Sp Peseta)	198.50	125.5931	62.4704	88.4187
Angola	(Kwanza)	49.1495	31.0974	15.4679	21.8928
Antigua	(E Carr $)	4.2566	2.6931	1.3396	1.8960
Argentina	(Austral)	299.95	189.7817	94.3981	133.6080
Aruba	(Florin)	2.8219	1.7854	0.8880	1.2569
Australia	(Aus $)	2.1270	1.3457	0.6693	0.9474
Austria	(Schilling)	22.3450	14.1379	7.0322	9.9532
Azores	(Port Escudo)	261.90	165.7070	82.4232	116.6592
[illegible]					
Fiji Is	(Fiji $)	2.4229	1.5329	0.7625	1.0792
Finland	(Markka)	7.0682	4.4721	2.2244	3.1484
France	(Fr)	10.7525	6.8032	3.3839	4.7895
Fr. Cty/Africa	(CFA Fr)	537.62	340.1581	169.1959	239.4743
Fr. Guiana	(Local Fr)	10.7525	6.8032	3.3839	4.7895
Fr. Pacific Is	(CFP Fr)	194.00	122.7459	61.0542	86.4142
Gabon	(CFA Fr)	537.62	340.1581	169.1959	239.4743
Gambia	(Dalasi)	10.0108	6.3339	3.1505	4.4591
Germany East	(Ostmark)	3.1775	2.0104	1	1.4153
Germany West	(DMark)	3.1775	2.0104	1	1.4153
Ghana	(Cedi)	409.89	259.3419	128.9976	182.5790
Gibraltar	(Gib £)	1.00	0.6327	0.3147	0.4454
Greece	(Drachma)	269.95	170.8003	84.9567	120.2449

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Greenland	(Danish Krone)	12.3675	7.8250	3.8922	5.5089
Grenada	(E Carr $)	4.2566	2.6931	1.3396	1.8960
Guadaloupe	(Local Fr)	10.7525	6.8032	3.3839	4.7895
Guam	(US $)	1.5805	1	0.4974	0.7040
Guatemala	(Quetzal)	4.3516	2.7533	1.3695	1.9383
Guinea	(Fr)	472.95	299.2407	148.8434	210.6681
Guinea-Bissau	(Peso)	1024.725	648.3549	322.4940	456.4476
Guyana	(Guyanese $)	47.40	29.9905	14.9173	21.1135
Haiti	(Goude)	7.8825	4.9873	2.4807	3.5111
Honduras	(Lempira)	3.1583	1.9982	0.9939	1.4068
[illegible]					
N'th Antilles	(A/Guilder)	2.8377	1.7954	0.8930	1.2640
New Zealand	(NZ $)	2.6600	1.6830	0.8371	1.1848
Nicaragua	(Cordoba)	11684.50	7392.9136	3677.2619	5204.6770
Niger Rep	(CFA Fr)	537.62	340.1581	169.1959	239.4743
Nigeria	(Naira)	11.6661	7.3812	3.6714	5.1964
Norway	(Nor. Krone)	11.4200	7.2255	3.5940	5.0868
Oman	(Rial Omani)	0.6088	0.3851	0.1915	0.2711
Pakistan	(Pak. Rupee)	33.50	21.1958	10.5428	14.9220
Panama	(Balboa)	1.5805	1	0.4974	0.7040
Papua New Guinea	(Kina)	1.3977	0.8843	0.4398	0.6225
Paraguay	(Guarani)	1686.85a	1067.2888	530.8733	751.3808

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Peru	(Intl)	4239.62a	2682.4549	1334.2627	1888.4721
Philippines	(Peso)	33.50	21.1958	10.5428	14.9220
Pitcairn Is	(£ Sterling)	1.00	0.6327	0.3147	0.4454
	(NZ $)	2.6600	1.6830	0.8371	1.1848
Poland	(Zloty)	1316.01	832.6542	414.1652	586.1959
Portugal	(Escudo)	261.90	165.7070	82.4232	116.6592
Puerto Rico	(US $)	1.5805	1	0.4974	0.7040
Qatar	(Riyal)	5.7610	3.6450	1.8130	2.5661
Reunion Is. de la	(F/Fr)	10.7525	6.8032	3.3839	4.7895
[illegible]					
Western Samoa	(Tala)	3.6500	2.3093	1.1487	1.6258
Yemen	(Rial)	16.70	10.5662	5.2557	7.4387
Yemen PDR	(Dinar)	0.5407	0.3421	0.1701	0.2408
Yugoslavia	(Dinar)	21049.44	13318.2157	6624.5287	9376.1425
Zaire Rep	(Zaire)	578.75	366.1815	182.1400	257.7951
Zambia	(Kwacha)	16.40	10.3764	5.1612	7.3051
Zimbabwe	($)	3.2875	2.0800	1.0346	1.4643

Special Drawing Rights May 19, 1989 United Kingdom £0.777542 United States $1.25783 Germany West D Mark 2.47667 Japan Yen174 209 European Currency Unit Rates May 22, 1989 United Kingdom £0.656256 United States $1.03393 Germany West D Mark 2.08234 Japan Yen147.232

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday 22 May, 1989.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on May 22

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9⅜ 95	600	†99¾	100¼	+0¼	+0⅛	9.35
Austria 9⅝ 93	140	100½	101	+0⅜	−0⅛	9.36
B.F.C.E. 7 92	150	†93¾	94⅛	0	0	9.53
B.F.C.E. 9¼ 95	150	99⅛	99⅝	+0½	+0⅜	9.36
Brit. Tel. Fin. 9⅞ 98	250	—	—	—	—	—
Campbell Soup 9⅛ 93	100	—	—	—	—	—
Canada 9 96	1000	†100½	101	+0⅝	+0½	8.83
Canadian Pac 10⅜ 93	100	†101½	102	−0⅝	−0¼	10.19
C.C.C.E 9¼ 95	300	99½	99⅞	+0¼	+0¼	9.32
G.M.A.C 9⅝ 93	150	99⅝	100⅛	+0¼	+0⅛	6.40
Credit National 8¾ 93	200	96	96⅜	+0¼	0	9.43
Credit National 7⅞ 92	100	94½	95	0	−0⅛	9.51
Credit National 9½ 92	160	†100¾	101¼	+0¼	0	9.17
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6½ 91	80	101¼	101½	−0¼	−0⅜	5.26
Canada 5⅝ 93	80	101⅝	101⅞	−0⅛	−0¼	5.14
Eurofima 5 1995	20	99	99½	0	−0⅛	5.15
E.I.B. 4⅞ 93	30	98⅝	98⅞	−0⅛	−0⅜	5.24
Ireland 5⅛ 93	30	99⅝	100⅛	−0⅛	−0¼	5.16
Norway 5⅛ 95	50	99⅞	100⅛	−0⅛	−0⅜	5.12
Sweden 4⅝ 93	50	97¾	98	−0⅛	−0¼	5.23
World Bank 5⅛ 98	10	98¾	99¼	0	−0¼	5.27
World Bank 7 94	20	107⅝	108⅛	−0⅛	−0⅜	5.15

Average price change... On day −0⅛ on week −0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						
Fletcher Chall. 4⅞ 98	150	†88½	88¾	0	−0¼	6.61
Kobe City 4⅞ 98	150	†87	87¼	−1¼	−2½	6.54
Leeds Perm. B/S. 4⅞ 93	200	†91	91¼	0	−0⅝	6.71
Malaysia 5¼ 98	100	†83	83¼	−1⅜	+3⅛	7.91
Maxwell Comm.Crp. 5 95	150	†83½	84	+0¼	−3¼	8.54
Nat. Bk. Hungary 5½ 94	75	†95¼	95½	0	−1	6.51
Nationwide Ang.B/S. 4 93	200	†91	92	+1⅛	−0¼	6.44
Nippon Telg.&Tel.4¾ 95	200	†92½	92½	0	0	5.70
Oesters.Ktbk. 5 03	75	†91	92	+0½	+1½	5.90
Prov. Newfoundland 5 03	150	†89½	90	−0½	+1¾	6.08
Thailand 4⅝ 95	200	†91	92	0	0	6.33
World Bank 5 03	150	†90	90¼	0	+5⅛	6.05

Average price change... On day +0⅛ on week +0⅞

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Bankers Trust International; Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Bank Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson Heldring & Pierson; Credit Suisse; Bank of Tokyo International; Chemical Bank International; Citicorp International Bank; Daiwa Europe NV; LTCB International; Robert Fleming & Co; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Sanwa International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; Swiss Bank Corporation; UBS-Phillips & Drew; S.G. Warburg Securities; Wood Gundy

COMPANY NOTICES

Third Series Floating Euro-dollar Repackaged Assets of the Republic of Italy due 1994
F.E.R.A.R.I. III
USdol 300,000,000

For the period from May 23, 1989 to August 23, 1989 the notes will carry an interest rate of 9$\frac{13}{16}$% per annum with an interest amount of USdol 2,507.64.- per USdol 100,000 note.

The relevant interest payment date will be August 23, 1989.

Banque Paribas Luxembourg
Agent Bank

Pirelli U.K. International Finance B.V.
£ 40,000,000 Guaranteed 7 1/2 %
Convertible Bonds due 2000

In accordance with condition 11(A)(h)(II) of the first schedule of the Trust Deed for the above mentioned convertible Bonds, notice is hereby given to the Bondholders that the Annual General Meeting of the Shareholders of Pirelli S.p.A. will be held in Milan on June 7th and 8th, 1989.

The Bondholders are therefore reminded that the subscription rights in Pirelli S.p.A. ordinary shares will be suspended from May 18th (date of publication on Gazzetta Ufficiale) up to and including June 9th, 1989.

Pirelli S.p.A. has changed its financial period from the year ending 30th June to the year ending 31st December. Accordingly a financial period of six months only ended on 31st December, 1988 and the current financial period will end on 31sth December, 1989. Pirelli S.p.A. has notified the Trustee of this. Bondholders will be notified of any changes or alterations to the conditions on the Trust Deed which may be required by the Trustee in relation thereto when effected.

PIRELLI S.p.A. Milan

INTERNATIONAL CAPITAL MARKETS

London traded options seeks to go it alone

Katharine Campbell on the LTOM's plans to escape the ISE's 'stifling bureaucracy'

The London Traded Options Market would like to have its cake and eat it. After 11 years in the shadows, it will be a delicate business ensuring that its wishes are for once indulged.

The recent, as yet unpublished, Chamberlain report, which recommends autonomy for LTOM from the stifling bureaucracy of the London International Stock Exchange – in all matters except those where it considers its parentage an asset – is scheduled, optimistically, to go before the full exchange council for a decision in July.

In theory, and provided the issue is not held up by the wider reassessment of the ISE's structure and role, an autonomous LTOM could be functioning from the end of this year.

Greater autonomy for the options market is not a novel idea. A 1985 report to the council suggested a similar move. However, Mr Geoffrey Chamberlain, the chairman of the options committee, has clearly sensed an unusual opportunity to resuscitate the idea in recent months. While the ISE is in the midst of a major structural upheaval, he feels the time is ripe for a re-examination of LTOM's role.

Moreover, the impetus gathering at all levels for the creation of a single derivatives market in London theoretically constitutes a powerful bargaining chip if LTOM should fail to get satisfaction from the highest echelons of the ISE.

The report's recommendations themselves would be entirely uncontroversial in virtually any other derivatives market around the world. Among other things, LTOM wants control over its own budget, a seats or trading permit structure and options practitioners on its board. This is not asking the earth for a market of 11 years standing.

However, the market is currently starved of resources for urgent systems development and extensive marketing; it is an expensive market to trade and members, lacking a seat structure, are insufficiently committed to LTOM's viability. Most important, it is less successful than most other options markets in the world, something that has not escaped Mr Chamberlain's notice.

For instance, the Dutch European Options Exchange has been a particular thorn in the flesh ever since it prompted the creation of LTOM. The Amsterdam market was threatening to list options on UK stocks which could have drawn some of the underlying equities business to the Netherlands. LTOM was started in a great hurry and with nothing more than an overdraft facility from the London Stock Exchange.

Eleven years later, the EOE continues to trade larger volumes than London on its own domestic stocks in the tiny Dutch market and Mr Tjerk Westerterp, its flamboyant chairman, is courting several embryonic derivatives exchanges in Continental Europe. Other European markets, let alone those more established in the US, have done better than LTOM.

Meanwhile, the minimal impact equity options have had on the underlying securities markets in London means that LTOM receives third-class treatment from the ISE, which in turn impedes its ability to win greater influence.

Geoffrey Chamberlain: time for re-assessment

Independence of LTOM's current incapacity, spending decisions are in the hands of the central finance committee, while the £3.5m ($5.6m) or so in after-tax revenues LTOM has accumulated since its inception disappear into the coffers of the ISE. In the 1988/89 financial year, LTOM is paying out £3.5m for ISE services.

Despite its large contribution to overheads, the options committee has a minimal input into exchange-wide decisions that may crucially affect the viability of LTOM. One small instance of this was when LTOM was not formally consulted about the preliminary recommendations of the Elwes committee which, it was feared, would diminish options liquidity on the options floor by severely reducing the visibility of stock pricing.

While LTOM is seeking vastly enhanced policy and financial control, it appears – for the moment at least – to believe it has more to gain from retaining its ISE ties, even though logic might suggest it has more in common with the rest of London's derivative markets.

Still, in the past year or so LTOM has clearly cast envious eyes at the London International Financial Futures Exchange, partly from the point of view that it has a well-run bureaucracy that appears to operate for the benefit of its members. Dealing on the Liffe floor is also a good deal more professional than it is in LTOM.

Mr Chamberlain is also quick to point out that, although the exchange generates only a modest profit, that is because it is "technology-rich", ploughing back its annual revenue into systems development in a way that LTOM has never been able to do.

Concrete co-operation with Liffe has so far concentrated on tax, regulatory and marketing issues relating to FTSE products. However, the plans extend to much closer collaboration, notably a common trading floor, and some sharing of staff.

Meanwhile, the relatively modest proposals of the Chamberlain report have to pass the hurdle of a stock exchange working party. One particularly contentious area is devolution of central budgetary control.

Mr Andrew Hugh Smith, chairman of the ISE, is openly critical of the gulf between strategic decision-making and financial responsibilities, which runs across the entire exchange. "What we have not done is to take sufficient account of how the market committees wished to run themselves." However, he is awaiting the findings of the working party before committing himself as to whether the LTOM proposals are likely to occasion a re-think of financial control within the exchange.

When the report comes to council's vote there could be a fine balance between those representatives of the other markets under the ISE umbrella who are prepared to help LTOM on its way towards relative budgetary autonomy, in the hope that they may ultimately benefit themselves, and those who refuse to buy the argument that LTOM should be a different case.

Another constitutional matter is the issuance of seats or trading permits, which could affect other markets. There is also the difficulty of persuading members to spend up to £20,000 or more for each trading right.

Meanwhile, the jury is still out as to whether the current changes will be sufficient to kick-start the LTOM.

There are many reasons that could be cited for the lack of success of traded equity options in the UK in the past – including major tax and regulatory impediments.

However, despite a more favourable environment in many respects, there are still plenty of people who are convinced that no amount of effort will inject the necessary enthusiasm into the reluctant British retail investor, whose presence in large numbers is crucial to the market's viability.

Treasuries soar as dollar passes Y140 and DM2

By **Karen Zagor** in New York and **Katharine Campbell** in London

TREASURY BOND prices rose sharply in New York yesterday, responding positively to the soaring dollar which smashed through two psychologically important levels – Y140 and DM2.

At midday the Treasury's benchmark 30-year long bond was up 1¼ point to 102⅜, yielding 8.60 per cent, its lowest level since last March.

In the absence of any new economic data, the debt market was dominated entirely by the strength of the dollar, which showed no sign of weakening despite concerted central bank intervention.

At midday the dollar had risen to about Y142.00 and DM2.0090 in New York from Y138.98 and DM1.9765 late on Friday. The White House expressed concern about the dollar's strength and said that if the currency's rise was not curbed it could undermine "international efforts to reduce global trade imbalances."

Observers said that only West Germany's Bundesbank, among major central banks, did not participate yesterday when others intervened heavily in the foreign exchange markets to sell dollars. They said the Germans apparently did not see the point in selling the US currency, since the dollar seemed impervious to intervention.

The Bank of Japan alone was thought to have sold between $1.5bn and $2bn yesterday.

Any unexpected news in today's durable goods figures is likely to trigger a strong market reaction. While durable goods are relatively low in the hierarchy of important economic indicators, the market seems willing to respond to any hint of a change in the economic climate. Analysts at Griggs and Santow expect durable goods orders to show a rise of 0.5 per cent in April from a month earlier.

The Federal Reserve underlined its decision last week not to ease monetary policy by doing three-day matched sales operation when the Fed Funds rate was at 9⅜ per cent. The action, which drained reserves from the banking system, was taken to keep the key rate at which banks lend reserves to each other trading within the Fed's current target range.

THE GERMAN market, stunned as the dollar proceeded through the DM2 level, traded in a narrow bearish range, with a small amount of business generated by some professional short covering.

At the official fixings, bonds were marked down about 30 pfennigs from Friday's levels. The recent 7 per cent federal bond was priced at 99.75, 25 pfennigs lower, to yield 7.03 per cent. Meanwhile, on Liffe, the June bund contract traded in a narrow range, closing at 92.59 after an opening 92.67.

THE FRENCH market traded down, also reflecting international interest rate concerns in the light of continuing dollar strength. In the cash market, the tap stock 8¼ per cent due 1999 was trading off the day's, but still 13 centimes weaker at 95.47 to yield 8.82 per cent.

On the futures market, the June bond future closed after relatively modest turnover at 106.42, compared with 106.58 on Friday.

● Japan's Meiji Mutual Life Insurance will allow a subsidiary of Equitable Life Insurance of the US to manage some of its investment funds, Reuter reports.

The subsidiary, Alliance Capital Management, is the investment advisory arm of Equitable Life.

LAST FRIDAY'S poor inflation figures were reflected in the UK bond market early yesterday, with news of the power workers' 9.2 per cent wage offer only adding to such concerns. As call money rates edged up to 13¾ per cent, worries about base rate increases resurfaced, quickly knocking around half a point off gilt-edged securities prices.

The rest of the day was largely taken up with worries about sterling, not only as the victim of the buoyant dollar. For the first time for a while, the pound sunk well below DM3.18 and this independent weakness unsettled traders, particularly given prospects for the April trade figures to be disclosed on Thursday. The Bank of England entered the market to support sterling during the day.

When the long gilt future on Liffe dipped below 95.00, a significant point for the chartists, the central bank reportedly bought in gilts. Even so, the June contract ended the day at 94-22 compared with 95-11 on Friday.

As the yield on the benchmark 11¾ per cent treasury bond due 2003-2007 ended at 9.867 per cent, some traders foresaw 10 per cent yields as a distinct possibility.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	3/92	106-06	-19/32	11.21	10.95	11.33
		9.750	1/98	98-14	-20/32	10.38	10.25	10.42
		9.000	10/08	96-26	-22/32	9.38	9.28	9.41
US TREASURY *		8.875	2/99	101-16	+41/32	8.80	8.82	9.16
		8.875	2/19	102-27	+35/32	8.61	8.83	8.99
JAPAN	No 111	4.600	6/98	95.0382	-0.318	5.42	5.38	5.28
	No 2	5.700	3/07	105.3089	-0.493	5.13	5.07	5.06
GERMANY		6.375	11/98	95.0000	-0.200	7.10	7.05	6.80
FRANCE	BTAN	8.000	1/94	95.3438	-0.178	8.97	8.96	8.96
	OAT	8.125	5/99	95.5000	-0.075	8.82	8.84	8.80
CANADA *		10.250	12/98	102.8750	-0.125	9.78	9.82	10.29
NETHERLANDS		6.7500	10/98	95.0750	-0.450	7.49	7.39	7.06
AUSTRALIA		12.000	7/99	90.7875	-0.454	13.68	13.33	13.41

London closing. *denotes New York morning session. Prices: US, UK in 32nds., others in decimal. Yields: Local market standard

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

Kredietbank profits rise 17% to BFr4bn

By **Tim Dickson** in Brussels

KREDIETBANK, the major Belgian bank whose activities are concentrated in the thriving Flemish part of the country, announced yesterday that its net profits in the year ended March had jumped more than 17 per cent to BFr4.324bn ($104.82m).

The figure excludes realised capital gains of almost BFr2bn, which have been transferred directly to reserves.

The result comes just a few days after last week's announcement of a 12.3 per cent rise in profits by Banque Bruxelles Lambert (BBL), another of Belgium's "big three" commercial banking groups, along with a record one-for-seven rights issue to raise BFr6bn.

Kredietbank, which itself raised BFr4.4bn of new capital via a placing of 1m new shares in April, attributed its profits growth last year to "a brisk expansion of activity," a lower increase in overheads (which went up by 5.2 per cent during the period against 7.9 per cent in 1987/88) and a 15 per cent fall in depreciations and provisions to BFr2.976bn. This was "despite a substantial increase in the allocation to the internal provision for credit risks."

Kredietbank's balance sheet total grew by BFr156bn, or 13.8 per cent, to BFr1,288bn. Total credit to businesses and "private persons" rose by 32.1 per cent to BFr503bn "due, on the one hand, to strong economic growth in general and intense investment activity in particular and, on the other, to the bank increasing its market share."

Net earnings per share rose by 16.6 per cent to BFr361.6.

Yamaichi lifts revenue 23%

YAMAICHI SECURITIES, the fourth-largest securities house in Japan, has reported a 23 per cent rise (on an annualised basis) in revenue to Y265.8bn ($1.9bn) for the parent company.

In the six months to the end of March pre-tax profits also increased by 51.2 per cent to Y108.3bn and the net result to Y46bn, up 20.2 per cent.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri May 19 Index No.	Thu May 18 Index No.	Wed May 17 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (206)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (54)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (186)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (95)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Transport (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (487)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (123)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (52)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (72)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (705)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 19	May 18	May 17	May 16	May 15	Year ago
FT-SE 100 SHARE INDEX♦	2169.0	-35.7	2299.7	2163.6	2294.7	2177.3	2155.8	2136.7	2149.9	1761.3

FIXED INTEREST

	PRICE INDICES	Mon May 22	Day's change %	Fri May 19	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	117.94	-0.31	118.31	-	4.41
2	5-15 years	133.09	-0.52	133.79	-	4.62
3	Over 15 years	144.42	-0.55	145.22	-	5.92
4	Irredeemables	168.32	+0.02	168.29	-	6.10
5	All stocks	130.92	-0.45	131.52	-	4.78
	Index-Linked					
6	5 years	134.58	-0.11	134.73	-	3.36
7	Over 5 years	133.72	-0.35	134.19	-	1.28
8	All stocks	133.67	-0.33	134.11	-	1.27
9	Debentures & Loans	115.02	+0.46	115.02	0.53	4.33
10	Preference	88.41	+0.11	89.26	0.96	3.00

	AVERAGE GROSS REDEMPTION YIELDS		Mon May 22	Fri May 19	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	9.64	9.58	8.60
2		15 years	9.81	9.22	9.18
3		25 years	9.40	9.32	9.05
4	Medium Coupons	5 years	10.85	10.71	9.06
5		15 years	9.74	9.66	9.37
6		25 years	9.27	9.22	9.19
7	High Coupons	5 years	10.95	10.82	9.15
8		15 years	9.95	9.88	9.53
9		25 years	9.44	9.40	9.27
10	Irredeemables		9.04	9.04	8.87
	Index-Linked				
11	Inflation rate 5%	5 yrs.	3.81	3.77	2.60
12	Inflation rate 5%	Over 5 yrs.	3.68	3.66	3.79
13	Inflation rate 10%	5 yrs.	3.03	2.99	1.50
14	Inflation rate 10%	Over 5 yrs.	3.51	3.48	3.61
15	Debs & Loans	5 years	11.76	12.15	10.18
16		15 years	11.43	11.57	10.64
17		25 years	11.27	11.13	10.68
18	Preference		10.15	10.17	9.70

♦Opening index 2209.7; 10 am 2187.7; 11 am 2180.8; Noon 2177.0; 1 pm 2179.7; 2 pm 2179.7; 3 pm 2178.6; 4 pm 2166.5; 4.05 pm 2166.9. (a) 9.00am (b) 3.46pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	97	9
Corporations, Dominion and Foreign Bonds	1	20	22
Industrials	324	626	627
Financial and Properties	93	306	257
Oils	27	33	37
Plantations	4	1	7
Mines	32	71	74
Others	138	37	78
Totals	619	1,191	1,111

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

- ● First Dealings May 15
- ● Last Dealings May 26
- ● Last Declarations Aug 10
- ● For settlement Aug 21

For rate indications see end of London Share Service

Calls in Hewitt, Jackson's Bourne End, Christie's, P&O Wrnts, Bula Res, Medirace, Bluebird Toys, Business Tech, Union Sq, Br Steel, Candover Inv, Sears, Cable and Wireless, Priest Marians, LEC Refrig, Parkdale, Racal, Control Secs, Brist Channel, All Elect, Ivernia West.

LONDON TRADED OPTIONS

Option		CALLS Jul	CALLS Oct	CALLS Jan	PUTS Jul	PUTS Oct	PUTS Jan
Alld Lyons (*444)	420	40	53	62	6	10	14
	460	13	28	40	25	32	36
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Jul	CALLS Oct	CALLS Jan	PUTS Jul	PUTS Oct	PUTS Jan
Storehouse (*175)	160	19	23	28	6	9	12
	180	9	13	18	18	19	22
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Aug	CALLS Nov	CALLS Feb	PUTS Aug	PUTS Nov	PUTS Feb
Tesco (*180)	160	25	31	38	2	3	4
	180	10	17	24	7	9	11
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK COMPANY NEWS

Greenall's £19m ahead of City forecasts

By Lisa Wood

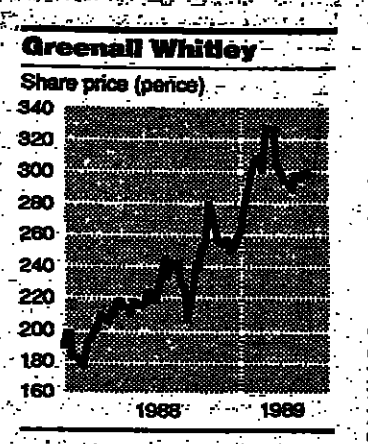
GREENALL Whitley, the north west England brewing and hotels group, raised its pre-tax profit by 14.5 per cent, from £17.06m to £19.5m, for the half year ended March 31st 1989,and were ahead of City forecasts.

Basic earnings per limited voting share were 10.6p, an increase of 18 per cent on the 9p of last year. The interim dividend is raised 20 per cent to 3.3p (2.75p).

Greenall, with 1,625 public houses, is Britain's largest regional brewer and has made its own protest to Lord Young, the Trade and Industry Secretary, over the Monopolies and Mergers Commission report on the brewing industry.

Mr Andrew Thomas, managing director of Greenall, said yesterday that he was hoping to meet Mr Francis Maude, Minister for Corporate Affairs, to voice his criticisms of the report. These include the proposed abolition of free trade loans - with Greenall having some £20m invested in loans to clubs and pubs - and guest beers. Greenall has delayed revaluation of its pubs, due this year, until 1990 when it believes the market place will be more settled.

Turnover for the half year was seven per cent up at £234m (£219m), with much of the lift coming from food retailing in pubs. Operating profits of £26.75m showed an increase of 18 per cent, but had to bear higher net interest costs of £9.88m (£7.49m). A surplus of £2.6m was made from property disposals (£2.08m).



Operating profits from the beer division were £16.5m, an increase of 8.5 per cent. Beer volumes were static in a highly competitive market place while food retailing did well.

De Vere Hotels, the UK hotels operations, lifted profits by 38 per cent to £7.5m (£5.4m) with two new hotels opened during the period. The five US operations again made a loss of £280,000. Mr Thomas said the problems there lay with one hotel where it was proving difficult to increase occupancy rates.

The leisure and other drinks businesses - including Vladivar vodka, pushed up profits by 24 per cent to £4.24m (£3.42m).

● COMMENT

Greenall's results were ahead of City forecasts, the UK hotels performing better than expected with some 27 per cent of profit increases coming from organic growth. The US hotels continue to disappoint with Greenall still promising better things to come. Brewing profits were pedestrian although cost benefits will start to come through later this year on the closure of the brewery in Birmingham. The costs, around £5m, will be taken as an extraordinary item in the second half of the year. Greenall's lager brands could be vulnerable to competition should guest beers be introduced in its pubs. Analysts, who were disappointed yesterday by the delay of the property revaluation, are looking for £52.5m for the full year, giving a prospective multiple of 11.3 times.

DTI clears Burton after investigation

By Maggie Urry

THE CLOUD of a Department of Trade and Industry investigation finally lifted from Burton, the retailer, yesterday when the company announced that the inquiries had been concluded.

The investigation, under Section 447 of the Companies Act 1985, related to the group's acquisitions and disposals over a three-year period, notably the £560m purchase of Debenhams, the department store group, in 1985.

Burton said: "Neither the DTI nor any other regulatory authority will be taking the matter further."

"We are delighted that this matter is closed. Any uncertainty has been removed," said Sir Ralph Halpern, chairman.

Investigations under Section 447 are usually confidential. However, the existence of an investigation into Burton had been rumoured in the stock market throughout 1987, and was confirmed by Sir Ralph at the annual meeting in January 1988. The uncertainty created was one element in a poor share price performance for the company.

At the annual meeting this year Sir Ralph said that the investigators had left the company the previous summer. Burton said yesterday that there had been no further visits and the company had asked the DTI what the position was and had been told the matter was closed.

Yesterday's announcement did little to help the shares avoid the stock market fall and they closed down 5p at 234p. Stockbrokers' analysts said that the investigation had been going on for so long that people had largely forgotten about it.

Isosceles offer 'inadequate'

ALEC MONK, chairman of food retail group Gateway yesterday hit back at the level of acceptances achieved by the bidder, the newly-formed Isosceles company, at the first close. It showed, he said, "that the vast majority of shareholders recognise that the offer is wholly inadequate."

Isosceles confirmed yesterday that shareholders speaking for 4.9 per cent of Gateway accepted, with acceptances from parties acting in concert with Isosceles amounting to 2.5 per cent. The offer has been extended to June 2.

LOF returns to profit for first time since 1980 with £627,000

By Vanessa Houlder

LONDON & OVERSEAS Freighters, the UK tanker company which underwent a major capital reconstruction in November, turned around from net loss of $1.91m (£1.19m) to a profit (on which no tax is payable) of $1.01m (£627,000) in the year to March 31.

The company is also returning to the dividend lists with a proposed payment of 0.6p per share. This is both its first dividend and its first after tax profit for a full financial year since 1980.

Mr Miles Kulukundis, managing director, said: "We have exited a rather long and dire tunnel which we entered in 1981 and we have done it at a time when the environment for our industry is still attractive....It is the best market environment for shipping I have ever experienced".

Gross freights earned increased from $11.28m to $14.06m. This rise that was underpinned by a cut in surplus tankers from over 50 per cent of the total fleet in 1984 to just over 20 per cent in 1988.

That stems from a closer balance between the numbers of vessels scrapped and those constructed and from the increase in OPEC production, which has helped boost the tanker trade.

A formal valuation of the two vessels showed their market value to be $19m each, which compares with a depreciated book value of $13.63m. Using current market values, net assets per share stand at 100p.

Last November, the company raised £4.5m, through an offer to shareholders, which increased LOF's capital tenfold. The offer, which was taken up by 28.6 per cent of shareholders, left 64.4 per cent of the consolidated shares with Seneca Shipping Corporation, a company owned by the Kulukundis family.

The offer triggered an agreement with creditors that more than halved its $40m of debts.

Mr Derek Kimber, chairman, said that the company had a reasonable level of debt, sufficient liquidity to face its anticipated cash flow requirements and a degree of flexibility that would have been inconceivable a year ago.

LOF's goal was to become a substantial bulk shipping enterprise, taking full advantage of its public quotation, said Mr Kimber. However the company said it had no preconceptions about how it would do this.

LOF's shares rose by 7p to 90p. This represents a 60 per cent rise on the low of 56p hit just after the rights issue.

However, after adjusting for the reorganisation of the share capital, it represents a steep decline from the peak of £33.64 hit at the top of the bull market in mid-1987 when the shares were buoyed by bid speculation.

From a loss per share of 0.4p it moved to a profit per share of 0.3p.

GrandMet's earnings forecast

GRAND Metropolitan, the UK-based food and drinks group, yesterday forecast a 15 per cent growth in earnings this year.

Mr Clive Strowger, the group's finance director, said that although the company did not expect earnings per share in the second half to maintain the 20 per cent plus rate of the last couple of years, long term earnings growth of 15 per cent per annum will be achieved in the current year.

Newman Tonks takes Laidlaw for £14.5m

By Richard Tomkins, Midlands Correspondent

NEWMAN TONKS, the Birmingham-based manufacturer of architectural hardware, is taking its first step into distribution with a £14.5m agreed bid for the USM-quoted architectural ironmonger Laidlaw Thomson.

The success of the cash and share bid was assured yesterday when Newman announced it had secured irrevocable undertakings to accept the offer in respect of 50.16 per cent of Laidlaw's shares.

Mr Cecil Bucket, Newman Tonks finance director, said one of the main reasons for buying Laidlaw was that overseas manufacturers of architectural hardware were increasingly seeking to enter the UK distribution chain in the run-up to the single EC market of 1992.

The terms of the offer are one new Newman Tonks share plus 7p cash for every Laidlaw Thomson share, valuing Laidlaw at 211p a share against last week's 162p.

Newman Tonks closed yesterday at 204p and Laidlaw at 203p.

Laidlaw made pre-tax profits of £1.3m on turnover of £26.5m in 1988.

Magnet's £629m buyout wins 69.8% backing

By David Waller

THE SECOND closing date for the £629m buyout bid for Magnet has passed with 69.8 per cent of the ordinary shareholders giving their backing for the offer, up from 51.6 per cent at the first close a fortnight ago last Friday.

However the level of acceptances for the £73m offer for the convertible shares – the terms of which have drawn fierce criticism from some institutions – stood at 37.9 per cent, up from 28.9 per cent but still not enough for the bid to be declared unconditional.

The offer for the kitchens company has been extended until 3pm on Friday this week. In the meantime, the management team and its advisors will attempt to hammer out a compromise deal with the recalcitrant preference shareholders.

Neither Sun Life, which holds more than 10 per cent of this class of shares, nor Bankers Trust, advisors to the buyout team, would comment on the status of negotiations now taking place.

It is formally possible for the buyout team – led by Mr Tom Duxbury – to declare the bid unconditional with less than 90 per cent acceptances from the preference holders. However, this would make the financing of the transaction a good deal more onerous.

RHM counts the cost as it calls off bid for Goodman

By Nikki Tait in London and Chris Sherwell in Sydney

RANKS HOVIS McDougall, the food and bakeries group, has incurred costs of almost £25m during its abortive £1.3bn offer for Sydney-based Goodman Fielder Wattie.

The UK group formally announced that it was calling off the bid for Goodman yesterday, although the decision had been widely-anticipated following last week's purchase by the Sunningdale consortium, led by Sir James Goldsmith, Mr Jacob Rothschild and Mr Kerry Packer, of the 103.7m shares, 29.9 per cent, which Goodman held in RHM.

RHM is now expected to dispose of its 14.9 per cent stake in Goodman, dissolving all shareholding links between them. But Goodman may remain interested in RHM's milling and baking businesses; if Sunningdale presses ahead with a bid for RHM with a view to breaking it up, Goodman could again be in the market. Yesterday, RHM shares rose another 10p to 460p - defying the general market gloom.

Ranks said yesterday that it expected costs of the offer to top £20m and probably fall in the £22m-£25m range. It added that over half that figure was explained by the underwriting expenses involved in the bid. The company had offered an underwritten cash alternative to its share swap terms.

The figure for costs is struck before allowing for any potential impact of selling RHM's interest in Goodman. The stake was largely bought at around the A$2.50 level, while Goodman shares yesterday lost ground on the Australian share market, falling 7 cents to A$2.35.

In yesterday's statement confirming that it had abandoned its takeover bid, RHM said Goodman Fielder's sale of its RHM shares removed a key feature of the offer, namely the planned cancellation of the holding. That, it claimed, would have had the effect of reducing the "the number of shares over which the benefits of the acquisition were to be spread and to limit the dilution of existing shareholders' interests."

It added that it also believed that the offer would no longer have "a strong possibility of success". RHM required its own shareholders' approval and Sunningdale had made clear that it would vote against the offer. Recent trading had also probably given arbitrageurs a significant stake in the UK food group.

ABF boosted by £10m rise in investment income

By Nikki Tait

ASSOCIATED BRITISH Foods, the milling and baking concern, yesterday unveiled pre-tax profits 13 per cent higher at £237.1m in the 52 weeks to April 1. This compared with £210.4m in the previous 53-week period.

Group sales in 1988/9 were up from £2.27bn to £2.5bn, and at the earnings per share level – after a tax charge down from 33.6 per cent to 30.5 per cent – the figure improves by 17.7 per cent to 35.9p. A second interim dividend of 6.5p (5.8p) a share is proposed.

The profit increase, however, is largely due to progress by the retail operations, overseas businesses, and a £10m increase in investment income.

ABF also said yesterday that it had taken all profits on sales of properties used in continuing businesses at the trading level – as opposed to including them in the extraordinary item, as in previous years. The contribution to trading profits is not spelt out but analysts put this at around £3.5m-£4m.

ABF, however, continues to charge reorganisation costs against trading profits, and says that these – net of associate property profits – were not significantly different from the previous year's figure of £3.5m.

In the main UK manufacturing division, sales rose 8 per cent to £1.31bn, while profits increased 5 per cent to £78.2m. ABF says the figures were below budget, partly due to delays in commissioning capital investment, and larger than expected redundancy and closure costs. During the year, group capital investment amounted to £132m at home and overseas.

The retail companies saw profits rise by £3.3m to £15.8m, although sales were unchanged at £296m. And the overseas operations produced profits up £9.3m to £49.2m, from sales £121m higher at £886m. ABF says that currency realignments benefited the figures to the tune of £5m and £56m respectively.

Meanwhile, investment income contributed £92.2m (£82.2m) – although ABF says that this was marginally lower than anticipated. Below the line there is a £35.8m extraordinary surplus – compared with a £27.6m charge – comprising a small write-down in the value of the 15 per cent stake in Gateway to 264p a share, offset by profit on asset sales.

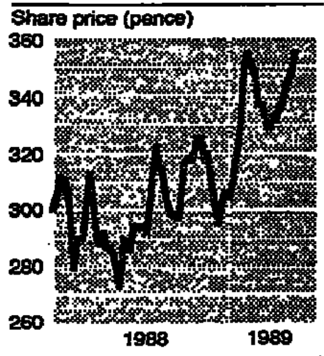
Mr Garry Weston, chairman, declined to comment on whether the company would get involved in the current Nabisco auction, but said that ABF had applied for the initial information.

● COMMENT

Yesterday's 1p fall in the ABF share price to 353p said more about grim conditions in the market generally than reaction to the figures themselves. On the whole, the results looked somewhat better than the £230m which the City expected – and although that was partly due to the property profit treatment, the overseas businesses and the retailing operations also chipped in helpfully. In the current year, there must be some scope for the core UK manufacturing operations to improve on the past drab 12 months. And while it is the use to which Mr Weston might eventually put his £1bn cash resources which holds the key to any re-rating, analysts point out that a number of situations – Gateway, Ranks Hovis McDougall, even Berisford – could yield some potential spin-off benefits for ABF's image in the absence of this. Current-year estimates range around the £260m figure, putting the multiple at some 8.5-9 times. While the Weston holding means bid premium will never feature, the downside must also be pretty limited when cash and investments equate to almost 250p a share.

Associated British Foods

Share price (pence)



BOC move to overcome anti-trust objection

By Clay Harris

BOC GROUP yesterday appeared to have found a way around regulatory objections to its US expansion plans. The gases company agreed to pay $143.5m (£90.9m) for the slimmed-down carbon dioxide and industrial gases operations of Amerigas, itself a subsidiary of UGI, a gas and electric utility.

An original deal worth $171.5m was blocked by the Justice Department's anti-trust division last month because of the effect on competition in liquid carbon dioxide along the Texas coast, and in industrial gases in northern California and the Chicago-Milwaukee area.

BOC and UGI have now renegotiated the transaction, eliminating the three plants which led to the objection. The new price reflects the reduction in assets which will change hands and is based on the same multiple as the previous deal.

The new agreement still faces Justice Department scrutiny, but BOC expects clearance by the time the deal is due to be closed next month. BOC has agreed to pay $108m on completion and most of the balance within six months after that.

If the revised deal goes through, BOC will gain eight carbon dioxide plants in 10 states, an atmospheric gases plant in Texas, and 48 retail stores in seven states.

Restructured Plessey rises to £195.5m on turnover up 27%

By Hugo Dixon

PLESSEY, the embattled UK electronics company, yesterday reported a 14 per cent increase in pre-tax profits to £195.5m for the year to the end of March.

Mr Stephen Walls, managing director, said the performance showed there was "a very strong financial alternative" to Plessey's being taken over by the General Electric Company of the UK and Siemens of West Germany.

The results were achieved during a year in which Plessey restructured itself substantially by spending its cash mountain and going into debt in order to build up its software and North American defence operations. Although the effect of the acquisitions was neutral on profits, they substantially boosted the company's turnover and order book.

There was also an extraordinary charge of £31.7m. Of this £13m related to the expected costs of defending the company against GEC/Siemens; £10m to closing its plant for making gallium arsenide microchips; and £8m to a revaluation downwards of the assets of GPT, its telecommunications joint venture with GEC.

Turnover rose 27 per cent to £1.65bn from £1.3bn, with acquisitions accounting for about £220m of this increase. Similarly, acquisitions were responsible for £275m-300m of the £400m increase in the order book to £2.14bn.

A final dividend of 5.037p (4.276p) has been proposed, for a total of 7.658p (6.659p) for the year.

Earnings increased 10 per cent to 17.57p per share though, after extraordinary items, they fell 25 per cent to 13.31p.

"The growth that matters is growth in earnings per share," said Mr Piers Whitehead, an analyst at Robert Fleming. "10 percent is OK, but nothing to write home about."

GPT had a difficult year, partly because of the "goings on" between its two shareholders, Mr Walls said. Plessey's half share of the venture's operating profit increased 9 per cent to £80.3m. Losses at Stromberg Carlson, GPT's US subsidiary, were partly responsible.

Shareholders' funds were £317m at the end of the year, down from £620m a year earlier. The company has moved from a net cash position of £220m to a net debt position of £206m.

Mr Walls would not reveal GPT's net asset position. However, it is understood that Plessey's half share of these assets is about £270m, down from £303m a year ago.

See Lex

Consortium bid for Ketson

By Andrew Hill

CITY AND Westminster Financial, Broad Street Group and Summer International yesterday launched their long-awaited consortium bid for Ketson, the troubled marketing and public relations group.

The beleaguered company meets to discuss the bid today. It will probably reject it, on the grounds that the restructuring it announced 10 days ago is a better option for its battered shareholders.

Their shares have plummeted from a 1987 pre-crash high of 151p to yesterday's closing price of 16½p, up 1p, capitalising the group at £3.1m.

The consortium is offering Ketson shareholders an equal number of shares in a new company, Moneytab, with a convertible loan stock alternative.

If the hostile bid succeeds a number of actions will be triggered:

● the consortium will seek a listing for Moneytab shares;

● a placing and open offer will raise £1m, asking Ketson's ordinary shareholders to subscribe for further Moneytab ordinary shares, on the basis of one share for every three Ketson shares committed to the offer, at 15p each;

● Moorgate, Ketson's financial marketing and PR subsidiary, will be sold to Broad Street for up to £5m, depending on profits in 1990 and 1991;

● IETC, Ketson's training consultancy, will be sold to Summer International, a training and education company, for up to £4.1m, again dependent on profits.

The three consortium members are investing £500,000 in Moneytab's initial issued share capital and already own 2 per cent of Ketson.

The Moneytab board will be chaired by Mr Anthony Phillips, a City and Westminster and Summer director, and include Mr Preston, Mr Andrew Greystoke, City and Westminster's chairman, Summer chairman Mr David Sinclair, and Broad Street's finance director Mr Kenneth Wheeler.

The consortium offer document is highly critical of Mr Walter Dickson, Ketson's chairman, who joined the company when it was a shell in 1986. However, Mr Rupert Stanbury, who became finance director last year, would probably be invited to join Moneytab.

Ketson's restructuring plan involves raising £5m through a three-for-one share placing at 10p a share.

Ketson is aiming to right a deficit in shareholders' funds caused by trading losses throughout the group.

Quotient warning of lower interim profits

by Peter Pearse

SHAREHOLDERS IN Quotient were warned at the annual meeting by Mr Tim Simon, chairman, that the financial software company had "turned in a loss over the first quarter and on current trading expectations did not anticipate moving into profit before the second half of the year".

However, he later affirmed that the group would continue its aggressive dividend policy and would not, therefore, be cutting the interim dividend. Quotient suffered a 46 per cent fall in pre-tax profits in 1988 – from £4.08m to £2.21m – largely due to the 1987 crash.

Mr Simon told holders that the drop in trading levels had once again depressed demand for financial systems and that in the UK stockbroking sector, demand had fallen away as timescales for Taurus, the electronic settlement system designed to end the use of share certificates, had slipped.

Any first-half losses could largely be attributed to an increase in costs, Mr Simon said, as the group's revenue had held up in comparison to the first quarter of 1988. Cost-cutting measures were being introduced, he said, including sub-letting part of the group's Finsgate building.

Mr Simon maintained that although the company viewed immediate prospects with caution, a number of recent developments – both project-related business and product developments in the insurance and share registration areas – were encouraging and augured well for the medium and long-term future. The effects of these would, however, largely fall during the second half of 1989.

Realnew plan to save MBS with £28m buyout

By John Ridding

MBS, computer dealer, yesterday announced a thorough restructuring of its operations following a plunge into losses of £14.1m for 1988 compared with profits of £5.2m in the previous year.

The company has entered into a conditional agreement to sell its core product sales business to Realnew, a management buy-out team headed by Mr Derek Lewis, managing director of MBS product sales, for a consideration of around £28m.

Touche Ross, the company's auditors, stated that if the sale is not completed by July 17 then there will be inadequate finance to support the group's operations. This would require further provisions against current and fixed assets and some long term debt would be repayable on demand.

MBS has also received various approaches for Microtex, the group's Altos multi-user system distributor, and intends to complete a sale.

With the disposal of these two businesses, the MBS group will comprise MBS Services and MBS Communications Services and be engaged exclusively in providing computer and communications services. In 1988 these two businesses made a contribution of £1.6m on turnover of £14.2m.

The company said that the second half of 1988 was "an exceedingly difficult period" with both margins and sales being much lower than anticipated. Turnover fell from £136m to £116m and an increase in IBM products shipped at maximum discounts cut prices.

MBS also suffered due to the high proportion of its business which is IBM related.

Pericom returns to black

By Vanessa Houlder

PERICOM, USM-quoted computer services group, yesterday announced a return to the black with pre-tax profits of £125,000 for the six months to March 31, compared with a loss of £828,000.

Turnover increased by 6 per cent to £10.14m (£9.59m). The share price rose by 1p to 44p.

The UK business has been restructured to diminish the importance of manufacturing, now reduced to about 36 per cent of turnover. Pericom has traditionally manufactured graphics terminals which have largely been replaced by technical workstations and personal computers.

The Singapore manufacturing facility moved into profit.

Earnings per share came out at 0.6p compared with a loss of 10p. It has not resumed paying dividends.

BOARD MEETINGS

TODAY

Interims- Alexanders Holdings, Bett Brothers, City Site Estates, Fairline Boats, Leeds, Moran, Northern American Tst, Northern Industrial Improv, Radio City, Ranks Hovis McDougall.

Finals- Apricot Computers, British Airways, Coloroll, Downiebrae, Fairbriar, Gates (Frank), Just Rubber, Trimoco, Vibroplant.

FUTURE DATES

Interims-	
LPA Industries	June 27
Zambia Copper	May 26
Finals-	
Anglo Leasing	June 1
Channel Tunnel	May 31
IWP International	June 22
Norcros	June 6
Regalian Properties	June 14

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Assoc Brit Foods	fin	6.5	Sept 1	5.8	9.3	8.3
BMSS §	fin	2.25	-	-	4	-
British Borneo	fin	16	-	16	24	23.5
Cham'lain Phipps	fin	4.1	June 12	4.1	5.7	5.5
Countryside Prop	int	1.3	Sept 6	1	-	3.15
de Morgan Group	fin	2.35†	Aug 18	1.85	3.6	2.5
English/Intl Tst	fin	3.9	-	3.45	5.4	4.7
Greenall Whitley	int	3.3	July 7	2.75	-	7.25
Lodge Care §	fin	2.25	-	2.25	2.75	2.75
LOFS	fin	0.6	-	nil	0.6	nil
Personal Assets	fin	1.25‡	July 21	1	1.25	1
Plessey	fin	5.037	-	4.276	7.658	6.659
Saltire Ins Inv	fin	2.31	-	2.25	2.31	2.25
Stratton Inv Tst	fin	0.43	July 13	0.3☆	0.43	0.3
Value/Income Tst	fin	1	-	0.815	1.725	1.44
Wheway	int	1†	Oct 3	0.5	-	2.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¢Third market. ‡Includes 0.25p special. ☆For 15 months to March 1988.

Acquisitions help boost Wheway

By Richard Tomkins, Midlands Correspondent

WHEWAY, the Birmingham-based industrial group which claims UK market leadership in computer room design and installation, yesterday reported a 54 per cent increase in pre-tax profits to £2.96m, against £1.92m, for the six months to April 1.

Turnover rose from £35.6m to £45.2m and operating profits from £2.25m to £3.65m: but the interest charge, boosted by acquisition costs, was up from £328,000 to £698,000.

Earnings per share were ahead by 20 per cent at 4.1p (3.41p) and the interim dividend is doubled to 1p.

Overall, £764,000 of the increased operating profit came from acquisitions and £645,000 from organic growth. The best performance came from the consultant engineering and maintenance division, which increased operating profits by 90 per cent, partly because of six-month contributions from Cudd Bentley and Interfilta, bought in January 1988.

Industrial products saw good performances from AEB in Belgium and Felco, increasing its contribution by 55 per cent in spite of the inclusion of Wright Rain's seasonal business - acquired in June 1988 - for the poorer first half. Building services products benefited from strong demand for scaffolding supplies and improved by 40 per cent.

In February Wheway added Scandfilter, a Swedish air filter company, to its consultant engineering and maintenance division. Mr Ted Jeynes, chairman, said other European acquisitions had been targeted and the company was exploring opportunities in the US.

Capita £1m buy

Capita Group, the public sector management consultancy which was floated on the USM last month, has agreed to acquire Penn Communications, the public relations and marketing consultancy, for a maximum consideration of £1m.

Notice to Bondholders

London International Group plc

£50,000,000 4½ PER CENT
CONVERTIBLE BONDS DUE 2002 (the "Bonds")

London International Group plc ("London International") has reached agreement with The Law Debenture Trust Corporation p.l.c., trustee to the issue, to amend the Trust Deed in order to bring about certain changes in the rights of bondholders. These changes, which are embodied in a supplemental Trust Deed and a revised Extel Card, are designed to have effect as follows:

(1) Bondholders have been granted an additional put option, exercisable in March 1997 at an increased premium redemption value to maintain the original yield to put of 8.53 per cent. per annum;

(2) London International has the ability, in the light of market conditions on or before 25th March, 1992 to increase (but not decrease) the yield to bondholders' optional redemption in March 1997. London International may also, prior to 25th March, 1997, announce that it will pay amounts of supplementary interest during the period from 26th March, 1997, up to and including 25th March, 2002;

(3) London International has the option in respect of each year from 1992 to 1997 inclusive to announce that it will pre-pay in cash on succeeding coupon dates equal amounts of supplementary interest representing the redemption premium which would otherwise be accruing, thus maintaining the overall return of 8.53 per cent. up to March 1997;

(4) London International has given up its original unconditional rights to redeem at 101 per cent. from 25th March, 1992, to 25th March, 1993 and to redeem at par from 26th March, 1993, to 25th March, 1997. It has, in addition, restricted its option to redeem the Bonds on 25th March, 1992 so that it may only redeem them on that date at the 1992 put price (rather than at 101 per cent. as formerly). London International will have the right to redeem the Bonds at the 1997 put price on 25th March, 1997. If London International decides to offer to pay supplementary interest in the period from 26th March, 1997, to 25th March, 2002, London International's rights to redeem the Bonds at par during this period will be restricted to protect the value of such supplementary interest;

(5) London International has been given new rights of redemption, at 101 per cent. from 26th March, 1992, to 25th March, 1993, inclusive, and at par thereafter until 25th March, 1997, conditional on its share price reaching a level at which the value of conversion exceeds the accruing value of the additional 1997 investor put option by 15 per cent. together with any accrued but unpaid interest;

(6) A re-underwriting option has been included, enabling London International to require bondholders exercising their 1992 or 1997 put options to sell their bonds at the 1992 (or 1997) put price to a bank, which would underwrite the placing of those bonds in the market, such underwriting to be in effect guaranteed by London International. So far as bondholders are concerned, the existence of this re-underwriting option will make no difference to the action required to obtain the put price applicable in 1992 or 1997, as the case may be. Bondholders who wish to put will be able to follow the standard procedure of tendering their Bonds together with an option notice, whether London International has arranged a re-underwriting or not;

(7) London International has been granted the additional option to treat bondholders exercising their 1997 put options as having exercised their conversion rights, and may arrange for the ordinary shares so issued in London International to be placed on bondholders' behalf. Under this option, bondholders would receive the same cash sum as that to which they would have been entitled under the put option, whether or not such sum exceeds the proceeds of the placing of ordinary shares on their behalf; and

(8) The two-week periods for exercise of the put options in 1992 and 1997 are to commence two weeks and five business days before the respective put dates. Full details of any re-underwriting arrangements are to be notified to bondholders prior to the period in which they are able to give notice of optional redemption.

Copies of the revised Extel Card will be available in the Extel System and from the Principal Paying Agents:

The Chase Manhattan Bank N.A.,
Woolgate House,
Coleman Street,
London EC2P 2HD

London International Group plc *23rd May, 1989*

Information to the holders of 5½% Subordinated Guaranteed Debentures of MDS Capital Corporation due May 1, 1989

NOTICE OF AMENDMENT AND EXTENSION OF OFFER TO PURCHASE FOR CASH
by
QANTEL CORPORATION

Any and all 5½% Subordinated Guaranteed Debentures due May 1, 1989 ($12,112,000 Principal Amount Outstanding)
For $250 per $1,000 Principal Amount Inclusive of Accrued and Unpaid Interest to the Expiration Date of

MDS CAPITAL CORPORATION
(a wholly owned Subsidiary of Qantel Corporation)

The Offer has been extended to, and will expire at, unless extended,
12:00p.m. midnight, New York City Time on June 9, 1989 (06:00a.m. Luxembourg time on June 10, 1989)

The offer to purchase the Debentures is not conditioned upon: (a) a successful restructuring of Qantel Corportion's (the "Company") bank indebtedness, or (b) the tender of a minimum percentage or minimum aggregate principal amount of Debentures prior to the expiration of such offer.

Accordingly, the Company intends to accept any and all Debentures which shall have been validly tendered to the Company and not withdrawn prior to the expiration of the Offer.

The Company does not intend to pay to the holders of untendered Debentures 100% of the principal amount and accrued interest due and owning thereon.

Meetings in Europe with 1989 Debentures Holders
The Company has scheduled meetings in London and Geneva to discuss and answer questions concerning its Offer for the 1989 Debentures and its present financial condition. All Security-holders and/or their representatives are invited to meet with Matthew E. Tutino, the Company's Chairman, President and Chief Executive Officer at the Hilton Hotel in London (tel. no. 493.8000) between the hours of 10:00a.m. and 3:00p.m. on May 31, 1989, and during the same time period at the Hotel du Rhône in Geneva (tel. no. 31.98.31) on June 1, 1989.

Depository and Information
All correspondence in connection with the Offer, and all requests for information or copies of the Offering Circular, or the Letter of Transmittal, should be directed to the Depositary or the Company, as follows:

By mail:
c/o Citicorp Luxembourg
16, avenue Marie-Thérèse LUXEMBOURG
Contact: Mr. Josee Altman on 4422401

By facsimile:
47795770

By hand:
c/o Citicorp Luxembourg
16, avenue Marie-Thérèse LUXEMBOURG

For further information, contact Alan H. Friedman, Vice President and Chief Financial Officer, Qantel Corporation, 4142 Point Eden Way, Hayward, California 94545; Telephone no. (415) 887-7777.

This notice is issued by Qantel Corporation and has been approved by Drexel Burnham Lambert Securities, Limited, a member of The Securities Association.

UK COMPANY NEWS

A deal sailing rather too close to the wind

Philip Coggan on the details and aftermath of Tony Berry's loan to Peter de Savary

Tony Berry (left), former chairman, Peter de Savary and Mitchell Fromstein, chairman

THE MYSTERY of Blue Arrow's £25m loan to Mr Peter de Savary's Chainrock is not so much a Whodunnit as a Why did he do it? Why did former chairman Mr Tony Berry agree to lend so much money to Mr de Savary in such a speculative project on such seemingly disadvantageous terms?

Mr de Savary is sure of his answer.

He argues vehemently that the planned development of Canvey Island is an excellent property deal which will prove a great investment for Blue Arrow shareholders and he is incensed at last week's Blue Arrow circular, in which the new management wrote off the amount of the loan.

Mr Mitchell Fromstein, the former Manpower president who has replaced Mr Berry as chairman and chief executive, believes, as last week's circular stated, that the loan was "speculative and inappropriate" for the world's largest employment agency.

So far, Mr Berry has kept his own counsel, save for a statement last Friday in which he said that "I believed that, as chairman and chief executive, I had the authority to complete the transaction. I had the comfort of a valuation from a leading firm of surveyors."

One important issue in the dispute is whether Mr Berry did indeed have the authority to complete the deal.

Both sides agree that at a board meeting on November 30 1988 Mr Berry outlined the transaction and was advised to "proceed with caution". Mr Berry regarded that as authority to complete the deal; the other directors argue that they were entitled to be consulted again before the transaction was completed.

The Berry camp argues that the way that the Chainrock loan was handled was similar to the way that Mr Berry conducted the Brook Street Bureau purchase and several other transactions.

Indeed, in the circular that detailed the Chainrock loan, the board revealed that it did not authorise a marketing agreement, or a loan guarantee, for executive boxes at Tottenham Hotspur, the football club where Mr Berry is a director.

Blue Arrow was very much Mr Berry's company. In five short years, he built the business into the world's largest employment agency through a series of acquisitions, culminating in the audacious £1.3bn purchase of Manpower in 1987.

But with the inevitability of Greek tragedy, the moment of Mr Berry's greatest triumph – the Manpower purchase – was also the moment that led to his downfall.

First, the acquisition brought on board Mr Fromstein, Manpower's president and the man who was eventually to supplant Mr Berry.

Second, the £837m rights issue that backed the deal led to a Department of Trade and Industry investigation into the handling of the deal by Blue Arrow's then banker, County NatWest. And the October 1987 crash left those who acquired shares via the rights issue (and subsequent placing) distinctly out of pocket and with reason to feel aggrieved.

Third, the purchase meant that Blue Arrow could no longer be regarded as Mr Berry's personal fiefdom. Non-executive directors, including Mr Norman Tebbit, the former Tory cabinet minister, and Mr Dennis Stevenson, the management consultant, were brought in and started to act as a check on the executive team.

The commitment to back Mr de Savary's bid for the America's Cup yachting competition was one obvious area for non-executive questioning. The original agreement, which involved Blue Arrow investing around £9m in the project, was hard to justify in commercial terms. Only a small proportion of Blue Arrow's business, especially after the acquistion of Manpower, was conducted under its own name.

In fact, Mr de Savary's yacht did not compete in the 1988 Cup, since it was disqualified because of its revolutionary design. However, Blue Arrow says that Mr Berry varied the terms of the agreement with Mr de Savary in November 1988, in order to allow a challenge to be made in 1992.

The Chainrock loan was designed to defray the costs of this further investment. Mr Berry was obviously convinced of Mr de Savary's development skills and of the potentially huge profits that could result.

Huge profits will be needed. The company is entitled to a half-share in profits on the deal only after expenditure on the project has been incurred; the £30m owed to a bank and another de Savary company has been repaid; the £25m loan from Blue Arrow has been repaid; other borrowings have been repaid; the first £25m profit has been claimed by Chainrock; and tax has been paid.

So even if one ignores tax and running expenses, Blue Arrow would only make a profit if the site sold for more than £80m. Two surveys – from Jones Lang Wootton and Debenham Tewson & Chinnocks – have put present values on the site, assuming planning permission, of between £75m and £85m.

On that basis, the Chainrock deal is far from a surefire moneyspinner. And Drivers Jonas, a third team of surveyors, put a value of £13.25m on the site, on the assumption that there was no speculative demand for the property.

Add in the fact that Blue Arrow's loan is only a third charge on the property – behind the bank and Mr de Savary's company – and it is unsurprising that the Blue Arrow board decided to make a provision against the investment in last week's circular.

It is also hard to see how the loan could in practice defray the costs of the America's Cup challenge. It is not repayable until 1991 and in the interim it pays no interest. Planning regulations might mean that any profit is even further delayed.

So it is only on a fairly optimistic basis, that the loan could have seemed a good deal to Blue Arrow.

Then there are the regulatory problems. Mr De Savary is a director of Blue Arrow Challenge, a subsidiary of the company. So the loan to Chainrock, a company controlled by Mr de Savary, was a Class 4 transaction which required approval by shareholders.

But, as has since been revealed, the loan agreement contained a confidentiality clause preventing Blue Arrow from disclosing it. Given those circumstances, the loan agreement should apparently not have been made.

According to Blue Arrow, Mr Berry was informed on November 30 by Allen & Overy, the company's solicitors, that there could be problems with Class 4 and the confidentiality clause.

Perhaps Mr Berry was flattered by press and stock market comment that portrayed him as one of the country's smartest dealmakers. Perhaps he wanted to pull off a coup that would restore the company's fortunes, battered by the rights issue and the downward revision in analysts' forecasts for 1988 profits.

Of course, it may yet be that the deal will prove to have been a masterstroke. But critics will say it was not a deal, either in subject or procedure, that was appropriate to one of Britain's biggest companies. For example, a letter from Mr Berry to Mr de Savary confirming the deal appeared yesterday in an advertisement where Mr de Savary replied to the Blue Arrow circular. According to Blue Arrow, that was the first time the company's directors had seen the letter.

The Blue Arrow circular stated that Mr Berry's presentation on the loan, at the meeting on November 30, contained "neither a detailed analysis nor written material". Yet by December 7 the deal was signed.

News of the loan prompted Mr John Sharkey, the ex-Saatchi & Saatchi executive newly appointed to the board, to begin a revolt. With other baord members, particularly Mr Dennis Stevenson, upset by Mr Fromstein's removal, Mr Berry was ousted the following month. However, in terms of the loan, it was too late.

There seems to be no legal way that Blue Arrow can withdraw from either the loan or the America's Cup deal – last week's provisions are an acceptance of that fact. Mr de Savary, who is a tireless dealmaker, could yet bring in a new investor or could sell the property to a new party. But Blue Arrow cannot count on that.

1987
May – Blue Arrow agrees to sponsor Mr de Savary's America's Cup challenge.
August – Blue Arrow bids for Manpower.
September – Blue Arrow's bid succeeds.
1988
November 28 – Berry agrees to vary terms of Blue Arrow Challenge sponsorship.
November 30 – Berry proposes Chainrock property deal to Blue Arrow board. Agreed to "proceed with caution".
December 2 – Berry writes to de Savary, agreeing deal in principle.
December 6 – Fromstein is ousted from board.
December 7 – Chainrock deal is signed.
December 15 – Sharkey writes to other Blue Arrow directors telling them deal is signed.
December 19 – DTI investigation launched into County NatWest's handling of Blue Arrow rights issue.
December 21 – Chainrock loan money drawn down.
1989
January 12 – Berry ousted from executive responsibilities at board meeting. Fromstein returns as chief executive.
April 3 – £25m loan disclosed at Annual General Meeting. Identity of borrower not revealed.
April 5 – Berry resigns as non-executive chairman.
April 7 – de Savary revealed as recipient of loan.
May 19 – Blue Arrow issues circular on loan. Berry resigns totally from board, receives £1.15m in compensation.

COMPANY NEWS IN BRIEF

ACORN INVESTMENT Trust: at April 4 net asset value was 86.52p (87.53p). In first half year net loss £35,111 (£27,050), or 1.1p (0.84p) per share.
CHAMBERLAIN PHIPPS: offer by Evode becomes unconditional and remains open. Second interim dividend of 4.1p to make 5.7p for year (5.5p).
CHURCH (CHARLES) Developments: court sanction received for scheme of arrangement whereby Charles Church Holdings will acquire the publicly-owned shares.
COLONNADE DEVELOPMENT: revenue before tax £174,200 six months ended April 30 1989 (£3,454) and earnings 2.85p (0.43p). Net asset value 201p (182p at October 31). Until suitable opportunities arise, surplus funds are invested in short-dated government securities.
ENGLISH AND International Trust: gross income £3.57m year ended April 5 1989 (£2.63m) and net revenue £1.28m (£1m). Final dividend 3.9p making 5.4p (4.7p).
HAWKER SIDDELEY of Canada: quarterly sales US$102.59m ($98m) and pre-tax profit $9.03m ($7.37m). Earnings 53 cents (37 cents) and 68 cents including $1.26m extraordinary credits. Dividend 27 cents.
SALTIRE INSURANCE Investments: asset value per share at March 31 was 70.6p (67.2p). Directors believe prospects for substantial capital growth through development and realisation of unlisted portfolio are attractive. Pre-tax profit £479,000 for year (£477,000) and earnings 2.32p (2.25p). Dividend 2.31p (2.25p).
SPRING GROVE: bid by P&O Group not being referred to Monopolies Commission.
STANCO EXHIBITION has acquired 25 per cent interest in Display Furniture Hire, a recently formed company which is forecasting profits of £50,000 on turnover of £318,000 in the nine months to April 30 1989. Cost of the acquisition is £112,500.
TRANSCONTINENTAL Services: Banner can speak for 92.9 per cent of the capital and 97.2 per cent of the warrants.
VALUE AND Income Trust: at March 31 fully diluted net asset value was 74.2p (60.5p). Pre-tax income for year £1.38m (£1.22m) and revenue growing strongly. Final dividend 1p to make 1.725p (1.44p) - increases of about 20 per cent should be sustainable for several years ahead, said directors.

IRI-GROUP

STET
Registered Office in Turin - Head Office in Rome
Capital stock Lit. 3,880,000,000,000 fully paid

Notice Convening the Ordinary General Meeting

The Shareholders of STET - Società Finanziaria Telefonica p.a. are hereby notified that the Ordinary General Meeting will be held in the Conference Room in Via Bertola 34, Turin, at 9.30 a.m. on the 8th of June, 1989 and, if necessary, a second meeting will be held on the 22nd of June, 1989, at the same time and place, to discuss and resolve the following

Agenda

1. Board of Directors' Report and Statutory Auditors' Report; Financial Statements for the year ended 31st December 1988; relevant resolutions.
2. Auditors' remuneration for the financial year 1988.
3. Resolutions according to art. 2364, point 2 of the Italian civil code.

The Shareholders shall have the right to attend the Meeting provided that, at least five days before the established date for the Meeting, they have deposited their ordinary shares with the Company's Securities Department in Turin, Via Bertola 28 or with Head Office in Rome, Corso d'Italia 41, or with any other duly-authorized banks, as well as through Monte Titoli S.p.a., for the shares managed by it.

Abroad, the ordinary share certificates may be deposited with foreign branches of Italian authorized banks.

for the Board of Directors
Michele Principe
Chairman

The Company's Financial Statements, the relevant enclosures, the reports of the Board of Directors, Statutory Auditors and Independent Auditors, the Group's Consolidated Financial Statements and the relevant Independent Auditor's Report will be available for the Shareholders at the Offices in Turin and Rome from the morning of the 2nd of June.

UK COMPANY NEWS

McKechnie sells Crayonne homeware arm for £3.25m

By Clay Harris

McKECHNIE, the plastics, metals and consumer products group, is to sell Crayonne, its kitchen and bathroom accessories subsidiary, and the related Geeco garden products business to Betterware Consumer Products, the USM-quoted housewares company, for £3.25m, about £400,000 less than book value.

The two businesses, which McKechnie combined last August into a housewares division based at New Milton, Hampshire, showed operating losses of about £500,000 in the six months to January 31, because of the disruption involved in integration. They have combined annual sales of about £7m.

Mr Michael Ost, chief executive, said McKechnie was no longer certain it could defend Crayonne's niche at the upper end of the fittings market, as tastes changed in favour of entrants using materials such as wood, metal and china.

Similarly, it had decided against the investment necessary to expand Geeco both organically and by acquisition. Geeco's plastic products are sold through garden centres and DIY outlets.

Geeco entered the group in 1977. Crayonne was acquired in 1980 as part of a £4.7m deal which also brought Decion, a bath and shower accessories manufacturer, and a materials handling business making plastic loaf racks for bakers. The latter was integrated with McKechnie's Paxton subsidiary last year, and Crayonne's plant at Sunbury was sold for £3.4m.

Betterware, which sold its Woolfcas curtains division to Lonrho for £3.8m last August, plans to shift some externally sourced plastics production to New Milton, its first manufacturing facility apart from a broom factory in Scotland.

The transaction will also increase to about 40 per cent the proportion of Betterware's sales made through retailers rather than its door-to-door representatives.

Mr Andrew Cohen, managing director, said capacity could double at New Milton through the introduction of three-shift working.

The Crayonne and Geeco brands will be reserved for retail sales, he said, although similar unbranded products might be introduced into Betterware's catalogues.

Separately yesterday, McKechnie expanded its US plastic packaging business with the $7.1m (£4.5m) acquisition of an 80 per cent stake in Charter Supply Corporation, a manufacturer of containers for products such as cooking oil and shampoo.

CSC, based in upstate New York, reported operating profits of $1.8m on sales of $13m in the year to March 31. It will be combined with Plastic Container Corporation, an Illinois-based company in which McKechnie also owns 80 per cent, and run by senior executives of both. From this foothold McKechnie plans to expand organically into the southeast US, Mr Ost said.

Success flows from total capability

Andrew Hill on Biwater's prospects after its water company acquisitions

CONTRARY to popular belief, French water suppliers are not the only hungry fish hunting the shallows of the British water industry.

Biwater, a private UK water contractor, runs the French extremely close for the distinction of having been first to spot the potential of statutory water companies — the 29 private-sector water suppliers which work alongside the public authorities.

Indeed, Dorking-based Biwater was the first investor, French or British, to mount a bid for a statutory water company, 14 months ago.

That offer valued East Worcestershire Waterworks at just under £3m. But since then a surge of interest in the sector — notably 12 agreed bids from three French water suppliers — has changed the ground-rules for investment in the industry.

Yesterday, Biwater launched its expected offer for Bournemouth and District Water Company, which in turnover and population terms is roughly the same size as East Worcestershire. The offer values Bournemouth at £17.6m.

Biwater itself is no toddler. Last year turnover rose from £136m to £184m, on the back of contracts from UK water authorities and companies, and, more importantly, from the governments of developing countries.

The £400m commission it won three years ago to install a piped water supply for rural dwellers in Malaysia was the biggest civil contract ever awarded by that country. A contract being negotiated in Thailand, including general measures aimed at improving the country's standard of living, should surpass the Malaysian deal in size.

Mr Adrian White, the flamboyant chairman of Biwater, who co-founded the company 21 years ago, says: "The reason we have done so well is we have total capability. We'll go to a client and tell him we'll do everything: design, civil construction, water treatment and sewage treatment, and manufacturing components."

But until last year's acquisition of East Worcestershire — made via a joint venture with the company's management — one aspect of total capability seemed to be lacking.

Major funding agencies for overseas projects were increasingly asking for some operation and management experience, in addition to the basic training and commissioning already being handled by Biwater.

In the past the group had asked water authorities to advise on the operation and management side of major overseas contracts, but the addition of East Worcestershire, Bournemouth, and its neighbour West Hampshire Water Company — where Biwater won control earlier this year — should provide some of that experience from within the company.

If it pays off, Biwater could find itself running water supply businesses in Colombia, Chile and Malaysia by the end of the year.

Biwater distinguishes between the drive behind its investment in the water companies and the involvement of the three large French water suppliers in the UK private water sector.

Compagnie Générale des Eaux, Lyonnaise des Eaux, and SAUR, a subsidiary of Bouygues, already have operation and management skills in-house. Biwater points out, by way of contrast, that its investment in East Worcestershire has enabled senior water company staff to collaborate on major overseas projects in their own right.

At the same time, the statutory companies' contribution to Biwater's turnover could account for about 30 per cent of its business in the longer term, offsetting the riskier earnings from large contracts. That and the growth of Biwater's manufacturing business — supplying components to the water industry in the UK and overseas — should improve the private company's image in preparation for a possible stock market flotation.

Mr Leslie Jones, Biwater's co-founder and deputy chairman, says the group always tries to be ready for the possibility. But in an era of glamour stocks, the odds are weighted against contractors.

"As time goes on, perhaps some of the virtues of solid backing — from manufacturing, for instance — will come to be recognised. But we're never going to be glamorous: it's not that sort of business," he says.

British Borneo profits static

British Borneo Petroleum Syndicate, investment holding and dealing company, achieved static pre-tax profits for the year ended March 31, with the figure virtually unchanged at £2.08m compared to £2.07m.

Profits from dealing fell from £672,498 to £483,612, while income from investments was slightly up at £1.60m (£1.39m).

Earnings per share were down at 34p (36.9p) and a final dividend of 16p is proposed, making 24p (23.5p) for the year.

Countryside expands by 31%

CONSIDERING THE changed economic conditions and the current slowdown in the housing market throughout the period, the 31 per cent profits rise at Countryside Properties was a very satisfactory achievement, said Mr Alan Cherry, chairman.

In the six months to March 31, pre-tax profits at the property developer and housebuilder moved up to £11.13m (£8.52m), while turnover was virtually static at £45.57m (£47.02m). Mr Cherry said that although Countryside was not immune to the effects of the very high level of interest rates, he expected the current 12 months to be "another year of record profits".

Earnings moved ahead to 20.1p (15.4p) per share after tax took 30 per cent more at £3.89m (£2.98m). The interim dividend is lifted to 1.3p (1p).

Sales from the residential division were down to £31.3m (£33.9m), though gross profits edged up to £9.7m (£9.5m). Turnover in the commercial division advanced to £13.9m (£10.7m), with profits leaping to £3.8m (£914,000). Rental income from property investments was £372,000, producing a profit of £187,000.

Mr Cherry said that the group's purchaser assistance schemes had been effective in helping reduce the now longer time between sale reservations of the group's new housing and completion on the properties.

Bournemouth Water bought for £17.6m

BIWATER, a private UK water contractor, yesterday announced an agreed cash offer of £17.6m for Bournemouth and District Water Company, writes Andrew Hill.

Bournemouth — a statutory water company which serves about 256,000 people in Wessex Water Authority's area — announced it was in bid talks at the beginning of April.

Biwater is the only UK group to have mounted successful bids for statutory water companies. It already controls East Worcestershire Waterworks and Bournemouth's neighbour, West Hampshire Water Company.

The private company holds 23.7 per cent of Bournemouth's voting stock and intends to use its water company investments to gain experience in the operation and maintenance side of the water industry.

The Bournemouth offer is being made through Biwater's wholly-owned subsidiary, BSH, and is pitched at £15 for every £1 nominal of 3.5 per cent ordinary stock, and every £1 nominal of 2.8 per cent preference stock.

Bournemouth is one of four statutory companies — Bristol, West Hampshire and tiny Cholderton are the others — which supply water to more than half the population of 2.41m in Wessex's region.

Biwater was the first group to make a bid in the UK's private water sector with an agreed offer for East Worcestershire in March 1988.

That bid was mounted through a joint venture with the statutory company's management, called Biwater Supply, which has since gone on to obtain work overseas and help the parent company with its £400m water supply contract in Malaysia.

Three French water suppliers have also mounted successful bids for 12 of the 29 UK statutory water companies.

SHARE STAKES

The following changes in share stakes have recently beenannounced:

Abtrust New Dawn Investment: A total of 3.33 shares (22.18 per cent) are held in investment portfolios managed on a discretionary basis on behalf of investment customers of Singer & Friedlander.

Arncliffe Holdings: Following the purchase of 25,000 shares Govett Strategic Investment now holds 1.72m shares (34.42 per cent).

Bristol Channel Ship Repairers: C H Bailey and its subsidiaries have disposed of 3.34m shares, cutting their interest from 28.31 per cent to 24.15 per cent.

Castings: WGTC Nominees has disposed of its total interest of 600,000 shares (5.81 per cent).

City of Oxford Investment: Oliff and Partners has disposed of 780,000 shares cutting its holding to 1.95m (9.75 per cent).

Commercial Union: Adelaide Steamship and associated companies have acquired a 4.55m ordinary bringing their total holding to 50.95m (12.03 per cent).

English & Caledonian Investment: The Equitable Life Assurance Society has acquired 100,000 ordinary taking its holding of voting shares to 700,000 (15.61 per cent).

F&C Pacific: Royal Life Insurance Group has cut its holding below 5 per cent. The Water *Authorities Superannuation* Fund has raised its holding to 15.94m (15 per cent) following the acquisition of 1.88m shares.

First Leisure: Norwich Union Life Insurance Society has acquired 1.425m ordinary and now holds a total of 7.29m (5.29 per cent).

Fundinvest Inc: International Financial Markets Trading has acquired 400,000 income shares and now hold 600,000.

Gartmore Value Investments: The Water Authorities Superannuation Fund has acquired a beneficial interest in 5,008,595 ordinary (10 per cent). Funds under the management of Merchant Navy Investment Management have a beneficial interest in 7.5m ordinary (15.08 per cent).

Hampden Homecare: John Goldstone has disposed of 506,000 ordinary at 82p per share taking the holding to 1.12m (7.47 per cent). This holding is as a trustee with Mrs F Goldstone of a settlement of which J Goldstone is also a beneficiary.

Hanson: Mr MG Taylor, Mr DC Bonham and Mr AGL Alexander, directors, exercised 258,298, 204,998 and 221,898 options respectively, over ordinary shares at 53.3p and sold all shares at 199p each. Sir Gordon Booth exercised 50,000 options over ordinary shares at 26.7p and sold the shares arising at 198p. Messrs Taylor, Bonham , Alexander and Sir Gordon Booth continue to have an interest in 408,106: 466,666: 829,132: 1,429,733: 754,932 and 244,857 options respectively under Hanson's share option schemes.

Marco 4: W S MacMillan has reduced his holding by 45,000 ordinary shares. The notified number of shares now under his control is 2,719,441 (12.29 per cent).

Olim Convertible Trust: Merchant Investors Assurance has *decreased its interest to a total* of 1m ordinary (about 6.7 per cent).

Prestwich Holdings: Norwich Union Life Insurance Society has acquired 325,000 ordinary bringing the total holding to 3,228,682 (8.83 per cent).

Sanderson Holdings: Directors P T Noden and M Beaumont have sold 252,000 and 149,000 ordinary respectively. Their resultant holdings are respectively 756,000 and 336,000 (9 per cent and 4 per cent).

UK COMPANY NEWS

York Trust pays £3m for loss-making money broker

By John Ridding

YORK TRUST, the USM-quoted financial services group, is to acquire the businesses of Kirkland-Whittaker, the money broker owned by Spedley Group, which went into liquidation last month, a victim of the Australian fringe banking crisis.

It is to pay about £3m in cash for the loss-making businesses which it will merge with Babcock & Brown, its existing money-broking subsidiary.

York Trust is buying Kirkland-Whittaker (London), the Bank of England-regulated money broker, and Kirkland-Whittaker Services, which owns dealing equipment and which has hire purchase debts of about £4.2m.

It will also acquire Kirkland's overseas businesses, which comprise offices in Amsterdam, Hong Kong, Luxembourg, New York, Bahrain, Jersey and Singapore.

In the year to October 31 1988, Kirkland-Whittaker reported losses of £1.5m on turnover of £14m. Mr Dick Bateman, managing director, said that this reflected Spedley's policy of emphasising a broad business spread.

As a result of this policy, certain operations, notably spot dollar/D-Mark and dollar/Swiss franc, were continued despite incurring losses.

Mr Bateman said that these businesses had been discontinued this week and that emphasis would be placed on more profitable areas.

Kirkland-Whittaker has been considering its options since Spedley was liquidated on the request of its two largest creditors, Australian National Industries, the heavy engineering group, and GPI Leisure, formerly controlled by Mr Brian Yuill, who also headed Spedley Group.

In seeking to replace its major shareholder, Kirkland-Whittaker received a number of approaches from within the industry and considered a management buy-out.

Mr Keith Mellors, finance director at York Trust, said that the company was pleased to have been chosen as the merger partner and that the combination will create a strong international money broker.

He said that "whereas we had a strong London-based sterling business, we had no international network for foreign exchange activities. This merger provides that at a stroke."

Lodge Care in £23m merger with Property Company of London

By Paul Cheeseright, Property Correspondent

LODGE CARE, which provides nursing and residential care homes for the elderly, is making an agreed takeover of Property Company of London to create a £23.2m merged group.

The merger, anticipated since last week, will be effected by a share exchange with a cash alternative. For every one share in PCL, USM-quoted Lodge Care is offering one of its own shares or 175p in cash.

Directors and other shareholders in PCL accounting for 98.5 per cent of the equity have agreed to accept the Lodge Care offer.

The catalyst for the merger was Gamlestaden, the London arm of the banking operation run by Nobel Industries of Sweden. Gamlestaden last month took a 29.9 per cent equity stake in Lodge Care, but it has also lent money to Property Company of London.

The idea behind the merger is to blend the assets of Lodge Care with the entrepreneurial approach of PCL, which has three subsidiaries covering golf and leisure operations, property development and waste disposal. The new group will have a gearing of around 15 per cent.

The merged group will be called Property Company of London. Gamlestaden will hold about 12 per cent of the equity.

In its last full-year results as an independent entity, Lodge Care recorded a fall in pre-tax earnings for the 12 months to December 1988. On turnover of £6.8m, pre-tax profits were £300,000, compared with £678,000 the previous year. The final dividend is 2.25p, making full payments for the year of 2.75p, the same as in 1986-87.

Earnings at Lodge Care have improved during the current year because of the sale of some of its older properties, Mr Stephen Alexander, the chairman, said.

On the market yesterday Lodge Care shares rose 12 to 191p, while those of PCL were down 40p at 215p.

Profits rise by 80% to £2.7m at de Morgan

AN 80 PER CENT increase in pre-tax profits in the year to April 6 was announced yesterday by de Morgan Group, the specialist commercial property adviser which graduated to the main market last year.

The taxable outcome was £2.65m (£1.47m) and it was achieved on turnover expanded 96 per cent from £2.63m to £5.14m. Tax rose to £962,000 (£533,000), leaving earnings up at 10.14p (6.27p) per share, a 62 per cent rise.

There is a 44 per cent rise in the dividend for the year, from 2.5p to 3.6p, boosted by a proposed final of 2.35p (1.85p).

Mr Adrian de Morgan, chief executive, said that the group had traded strongly throughout the year, with particularly good performances from de Morgan & Co, the commercial property investment and development company, and from Woolgate Property Finance.

He added that there had been little evidence of the predicted softening in the commercial property market. Indeed the group had broadened its client base and new relationships had been forged with overseas investors. De Morgan Retail had had an encouraging first year, Mr de Morgan reported, with the Retail Group, the company's newest acquisition, increasing its involvement in major retailing and shopping centre consultancy projects.

BMSS doubles

BMSS, the builders' merchant which came to the USM in June 1988, has revealed doubled pre-tax profits of £1.49m for the year to January 31 compared with £753,000 for the previous year.

Turnover rose from £10.09m to £12.62m; after tax of £410,000 (£208,000) net earnings per share were 16p (9.12p). A proposed final dividend of 2.25p makes a total of 4p.

Personal Assets' NAV rises 10.7%

By the end of its financial year, April 30, Personal Assets Trust had increased net asset value to 61.44p, a 10.7 per cent rise over 1988.

Some 70 per cent of assets were in the UK and the balance in the US. Liquidity currently represented 2.3 per cent.

Earnings rose to 1.46p (1.12p) mainly because of high liquidity in the first half. The dividend is raised from 1p to 1.25p including a special 0.25p.

OTT meeting postponed

By Clay Harris

OCEAN Transport & Trading, the distribution group, has postponed its annual meeting, scheduled for today, because the required notice was posted one day too late.

OTT intends, however, to pay the proposed 8p final dividend on schedule on June 1, by calling it a second interim and then seeking the requisite approval at the rescheduled agm in late June. Shareholders will be told the date this week.

The company said yesterday that it had only just noticed its failure to post the notice in time to give 21 clear days before the agm. In the past year, at least three other companies, Land Securities, Yale and Valor and Bett Brothers, have been obliged to postpone their agms for similar reasons.

REA continues recovery

REA Holdings, the plantation and commodity trader, continued its recovery and returned to the black with pre-tax profits of £707,000 in the year to end-December 1988.

This compared with a loss of £483,000 last time and was struck on turnover reduced from £42.8m to £26.9m.

The interest charge this time was more than halved to £213,000 (£577,000) and after tax of £268,000 (£196,000) earnings per £1 share worked through at 6.2p (21.39p losses).

The company has discontinued the practise of paying both an interim dividend and a final, and in March shareholders received a single dividend of 3p for the 1988 year.

French stake in Rutland

By George Graham in Paris

COMPAGNIE de Presbourg, the French investment company owned by Mr Jean-Luc Lagardère, has taken a 5 per cent stake in Rutland Trust, the UK financial services group controlled by London and Edinburgh Trust.

Presbourg said it had paid about FFr 57m (£5m)for the stake..Mr Christian Giacomotto, president of Presbourg and of Banque Arjil, has been invited to join Rutland's board.

The Lagardère group's main holdings are Matra, the electronics and defence company and Hachette, the book and magazine publisher. Rutland doubled its pre-tax profits last year to £12.1m.

FINANCIAL TIMES SURVEY

The profile of the automatic identification industry is not particularly conspicuous. But, as **Paul Abrahams** explains here, this sector is set to create a revolution in manufacturing and retailing comparable to the one that has occurred in the office environment.

New power for businesses

AUTOMATIC identification — the process by which data can be automatically imputted into computers without traditional manual key-stroking — is a method of giving new power to businesses. It provides them with rapid, up-to-date and accurate information about their operations and can both help reduce costs of production and inventory systems while improving customer responsiveness.

With the current drive in management practices towards *total quality control and just*-in-time manufacturing, the demand for that sort of information and the technology necessary to gather it has guaranteed rapid growth for the automatic identification market.

Although the auto-id sector does not have a high profile, the Market Intelligence Research Company (MIRC), based in California and Brussels, estimates that world-wide sales of automatic identification equipment will be worth more than \$8.6bn by 1993, compared with \$688m in 1983. This represents a compound annual growth rate of 25 per cent.

The most ubiquitous automatic identification technology is the bar code which has been used to identify everything from bees entering their hives to honey on the shelves of supermarkets.

MIRC believes that as bar-codes escape from supermarkets into other sectors, bar code products will become increasingly dominant, representing 72 per cent of the total US market for automatic identification equipment by 1993 from a bas of 69.3 per cent 1987.

Bar code product manufacturers are targetting two main markets according to Mr Paul Burnett, president of Seer Incorporated, the London-*based industrial market* research company.

The first of these is the US non-food retail sector. Mr Burnett expects this market will grow between 25 and 45 per cent per annum over the next few years as managers replicate the benefits already witnessed in the food retailing sector.

The benefits of the technology have already been demonstrated, states Mr Burnett. And he adds that the advantages of electronic data interchange have already proved sufficient to attract the interest of discount stores such as Wal-Mart Stores, the expanding US regional retailer, and K Mart, the second-largest North American retailer.

The second sector which he expects to be targetted is manufacturing. Mr Burnett says that recent systems now appear to be much more rugged than those of the early 1980s, which appeared to have difficulties in harsh environments. New printers and scanners are now proving more reliable in harsh manufacturing conditions.

However, bar codes only represent one technology available for automatic identification. The range of other technologies capable of being implemented in a wide range of applications should also help the total automatic identification market expand.

Other than bar codes, the other commonly used optically-based system is optical character recognition (OCR). This involves readers which recognise typed and written data and convert it into digital information.

One of the main markets for OCR equipment in the early 1990s will be public postal services. The US Postal Service has already announced a \$5bn five-year programme to automate its sorting and hopes this technology will be used to identify 100 per cent of all its mail automatically by 1995. The UK and Canadian postal services have also announced similar programmes, but on a smaller scale.

Non-optical automatic identification technologies, which do not depend on printed symbols, include magnetic stripe, most commonly used on credit-cards and access control systems, magnetic character recognition, which is used by British banks to process checks, and radio frequency.

This last technology has recently received considerable publicity in the UK because of plans to implement a radio frequency system to monitor prisoners at home while they await trial. Radio frequency may also be used to control access to football grounds as part of the the British Government's determination to deal with hooliganism.

However, this technology can also be used for a wide range of applications including tracking salmon, controlling access to buildings, and monitoring the use of toll motorways, bridges and tunnels.

Despite the wide range of possible applications, analysts expect industry to offer one of the main areas for growth. This is because of the proven benefits of automatic identification on activities throughout organisations.

Manufacturers of automatic identification equipment say its advantages include:

■ Rapid entry and retrieval of information. This could help an organisation analyse the handling and flow of its raw materials, increase control over work in progress, and obtain sales data from its customers.

They say that such up-to-date information is vital if flexible manufacturing is to be achieved and argue that this allows products to be customised in small runs for local markets without disrupting the manufacturing processes.

■ The accuracy of information inputted through automatic identification. Suppliers point out that no matter how skilled a worker entering data through key-stroking, mistakes will be made. Mist-read rates from automatic identification equipment are almost negligable and first-read rates have improved markedly in recent years.

■ Reduction in inventory requirements. With accurate and current information, it becomes possible to reduce inventory and increase inventory turn rates.

■ Increased labour efficiency. Automatic identification products should reduce labour requirements, while at the same time improving work conditions. Manufacturers point out that automatic identification should help with the recruitment and retention of labour at a time when demographic pressures are making personnel problems increasingly difficult.

Given these advantages, it is hardly surprising that organisations are hoping to repeat the success of the food retail sector which was the first to demonstrate the benefits of automatic identification in an arena with extremely tight margins.

Moreover, the attractiveness of automatic identification for other sectors has been given a boost by the falling cost of the equipment.

Like other sectors, automatic identification has been enjoying the benefits of the increasing performance of computing at the same time that its price has fallen significantly. An ink-jet printer, which three years ago would have cost £5,000, now costs £1,000.

MIRC estimates that the price of an entry-level or pilot

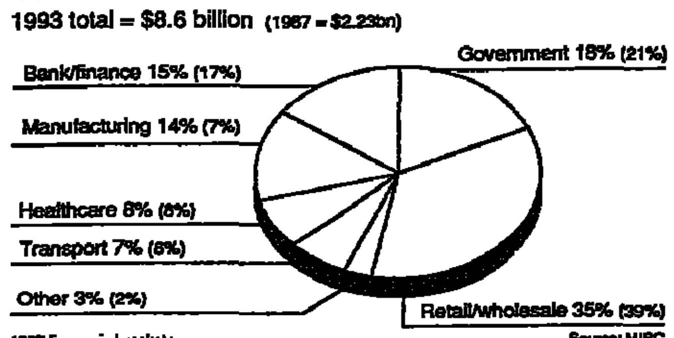
Continued on page 2

AUTOMATIC IDENTIFICATION

■ ILLUSTRATED, left: some of the diverse applications for automatic identification technology — such as toll systems for vehicles; bar coding of bees; wrist-tags for prisoners; tracking salmon; identity cards for football supporters; computer integrated manufacturing; transport systems; and in banking and financial services.
Illustration by John Batten.

World market forecast

Automatic identification markets: revenue
1993 total = \$8.6 billion (1987 = \$2.23bn)



1987 figures in brackets — Source: MIRC

Louise Kehoe reports on the fast-growing bar code market

US gets the coded message

THE ubiquitous bar code is showing up on more and more items, from cereal boxes to clothing, from computers to car components, providing visible evidence in the United States of a major growth market in automatic identification.

According to Automatic Identification Manufacturers Inc, a trade group representing US companies, sales of automatic identification equipment have grown from $660m (£397m) in 1986 to $1.8bn in 1988. The market is projected to continue to grow at an annual rate of 30 per cent to 40 per cent over the next five to 10 years.

The rapid growth of this industry has been due primarily to adoption of bar code technology beyond its established base in the grocery market by other manufacturing and service industries to track goods, paper and people in production, inventory and shipping.

In high-volume transaction processing, bar codes have become the leading alternative to manual data entry. Bar codes enable data to be entered more quickly and accurately than is possible with human key-punching. Bar code scanners are also less expensive than other optical character recognition equipment. They demand little training and can be integrated easily with existing automated controls.

A major manufacturing user of bar coding is the US automotive industry. For the past three years US car makers have required their suppliers to ship parts in containers that carry bar codes. Bar codes are also being required on parts that are safety related, such as brakes, transmissions and engines, so that if, for example, the brakes on a car fail then the manufacturer can find the exact location of other cars with potentially faulty parts. The system is not yet fully implemented, but soon will be, say industry experts.

General Motors Corp also uses bar coding to control raw materials, work in progress and automated manufacturing. In addition to being used to control parts and processes, bar coding has made important advances in security control and in tracking labour and assets.

However, the real potential of automatic identification lies in the ability to move data collected by bar code readers or other data collection systems from one location to another.

Electronic Data Interchange (EDI, or computer-to-computer communication of data collected through automatic identification systems, is most widely used by banks and financial institutions for credit card authorisation and funds transfer.

Visa International, the credit card company, has, for example, developed a major global communications network to handle electronic transmission of authorisation requests. The company has refined its EDI system to maximise efficiency by using coding systems to identify automatically the type of merchandise or category of service being purchased, as well as identifying the charge account.

The system now enables Visa to track automatically use of its credit cards in different markets and to route authorisation requests based upon the risk profile of the type of merchant.

EDI is now spreading into other US industries. US sales of EDI equipment reached $300m in 1988, doubling 1987 sales, according to a recent market survey.

There are several varieties of EDI systems for different industries. However, most EDI systems employ three basic business documents: electronic purchase orders, electronic invoices and electronic packing slips.

The primary use of EDI systems is in sending and receiving purchase orders. Pre-ticketed products are scanned at the point of sale. This information is then downloaded into the retailer's purchase order/inventory management system and re-orders are generated electronically, often on a daily basis.

The biggest expansion of EDI networks in the US is expected to take place among clothing retailers, the textile and garment manufacturers who supply them and the transportation companies who move products to distribution centres and stores.

For example, Haggar, a US clothing manufacturer that was among the first in its industry to ticket its merchandise with bar codes, has developed an order transmission program that transmits retail sales data to the manufacturer, and in turn to textile suppliers. The system enables all involved with the clothes industry to monitor consumer trends, control inventories and replenish merchandise more efficiently.

Another user of EDI is Playtex Apparel, a leading manufacturer of women's underwear. All Playtex products are marked with four different bar-coded identification numbers. The duplication reflects the lack of an established bar coding standard in this industry.

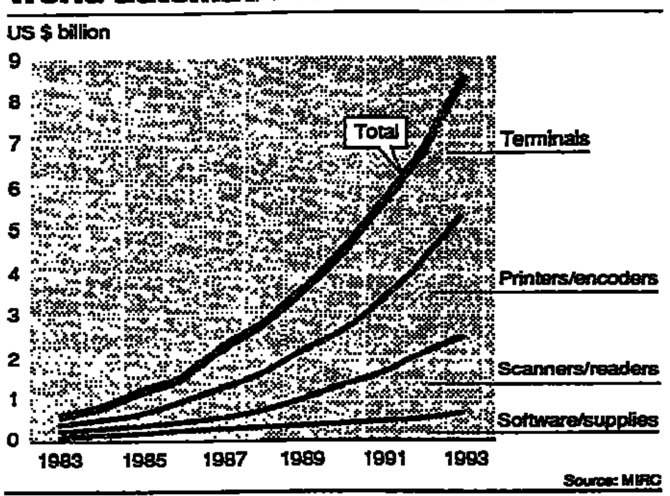
Over the past three years, Playtex has developed an EDI system, including a "Quick Response" ordering system for use by its major mass merchandise customers. These department stores re-order weekly, electronically communicating their orders to the manufacturer. Playtex ships throughout the week, notifying the merchandiser via electronic invoice transactions what has been shipped. The system has produced a dramatic improvement in business at stores where it is in use and is quickly being adopted by more stores, the company says.

Although there are alternatives to bar coding for automatic identification of retail products, the future of bar coding seems relatively secure, according to AIM. Bar coding holds a significant price advantage over other identification systems, such as radio frequency identification which ranges in price from $3 to $5 a tag. Bar code labels, by contrast, cost only a fraction of a cent.

Optical character recognition (OCR), another rival technology, is making a comeback, especially in remittance tracking. Optical character recognition codes, however, must be read from close up and cannot be read if damaged, whereas even damaged bar codes are readable and they can be read from a distance, making bar coding more flexible.

Industry experts predict that 80 per cent of the US gross national product will be under bar code control by 1990 as the system is quickly adopted by a growing range of manufacturing and service industries.

World automatic identification market



The surging US market for bar codes, now worth over $1.8bn a year, could grow between 30 and 40 per cent a year in the next decade

In Japan, a sales boom in bar codes looks imminent

Prices are coming down

AT FIRST glance, the most remarkable thing about Japan's bar code products and systems is that they tend to be rather expensive; Y10m to Y50m for a small point of production (POP) plant system, Y1m to Y3m for a typical point of sale (POS) unit.

But high prices aside, the boost that bar-coding can give to quality control, production and distribution is proving irresistible to Japanese businessmen. As the benefits of this technology are recognised, the industry is attracting more customers, prices are coming down and a sales boom looks imminent.

The high cost is the main reason offered by analysts for the relatively slow development of bar code usage in Japan so far. According to Automatic Identification Manufacturers (AIM), Japan, an organisation which is trying to promote standardisation of bar code systems, estimated that total sales next year will reach about Y30bn (£136m).

The other problem is standardisation. Japan has many private bar code standards used by particular groups at the moment, and harmonising them is hindered by the rigid vertical structure of many industries. Basically, a clothing manufacturer does not care about standardisation if he is selling most of his goods through tied retail outlets.

But even if these problems have so far discouraged many companies from buying bar code equipment, the technology's already proven track record and lowering prices are expected to stimulate the market.

AIM estimates, for example, that the price of a hand held S-laser scanner next year will be about Y60,000, down from Y200,000 five years ago. The S-laser scanner is expected to take about 33 per cent of the hand-held market next year – up from zero in 1986.

According to AIM, the total scanner-printer market in 1989 will be worth about Y17.8bn, up 25 per cent over last year, while 1990 will see sales of Y21.5bn. That translates into 18,000 printers and over 450,000 scanners for 1990, a 37 percent increase over 1988. And if you add in all the other bar coding peripherals – software, barcoded labels, electronic cash registers (ECRs), verifiers, portable terminals and the like, then the bar code market reaches nearer to Y30bn, with printers accounting for a little over half of the total.

Even some vehicle-part makers, squeezed by the high yen and export constraints on car makers, are betting heavily on the potential growth of bar code equipment. Nippon Denso, a main supplier of auto parts to Toyota, has diversified into the scanner business and now claims to have a roughly 80 per cent share of the Japanese market for this product.

Although Denso's scanners are used mainly in relation to the ECRs used in POS units, the parts giant has also tapped the FA (factory automation) and OA (office automation) bar code system markets, says a company official.

The company's close links to Toyota have helped. In overall systems or products related to FA and POP, Denso makes makes equipment for Toyota's famous 'kanban' or 'just-in-time' system, in which parts from suppliers deliver their goods to the factory just two hours before they are needed for assembly.

Hewlett-Packard, the US computer group, is making a play for the peripherals market with a new line of hand held scanner gadgets which combine sufficient high-tech features to short-cut the conventional bar code scanning system by hooking it onto a host computer that can support it.

As regards the retailing sector, the excitement about scanners among bar code equipment makers is easy to understand. By last spring, point of sale units had been installed in 21,348 shops, almost 6,000 of them convenience stores and another 5,000 supermarkets.

However, most of these were purchased by a few very large store chains. For leading chains such as the 3,400-store Seven-Eleven, the conversion to bar codes has been relatively painless. Because of its buying power, Seven-Eleven can buy its POS systems for around Y500,000 apiece, at least 50 percent less than the amount which smaller stores have to pay.

Renown, Japan's largest clothing maker, with 1987 sales of Y210bn, has found the data collection facet of bar code systems to be extremely helpful. Before installing POS units, Renown sales staff had difficulty obtaining detailed reports of sales from its retail outlets around the country. Now the retailers even know the size and colour of what's moving – and what isn't – almost immediately.

In semiconductor wafer control, an FA code standard, called Code 39, reads bar codes laser-etched on either raw or processed wafers, using optical fibre sensing technology. A central host computer contains data on progress and history of total wafer production.

But the long-term prospects for the Japan bar code market depend to a high degree on uniformity of bar codes. And standardising bar codes in a country noted for the vertical structure of its industries will not be easy, say AIM officials.

At the moment, Japan has two industrial bar standards. The Japan Article Number (JAN) code is used only for retail POS transactions.

JAN is the most widely used and is compatible with EAN, (European Article Number). It is also similar to the UPC code which Canada and the US introduced in 1973. The other industrial standard is called ITF, established in March 1987, and is used widely in production. But industry groups in Japan have also set up their own private bar-coding standards.

The need for standardisation is therefore clear. The movement is being headed by AIM Japan, which is an affiliate of US-based AIM International which promotes the same objectives.

Chris Perry in Tokyo

New industrial applications

Boost for productivity

FLEXIBLE MANUFACTURING systems, manufacturing resource planning, total quality management and "just-in-time" manufacturing – the jargon trips lightly off the tongue of the business school graduate.

But according to Mr Allan Willet, founder and chairman of the Willett Organisation, the UK-based automatic identification group, that jargon represents an information technology revolution on the factory floor similar to the one that has already occurred in the office environment. And the main tool in that revolution is information supplied through automatic identification equipment.

As a consequence of that revolution, the industrial sector is expected to offer one of the fastest growing markets for automatic identification. The Californian-based Market Intelligence Research Company (MIRC), estimates that manufacturing concerns in the US will increase their spending on automatic identification equipment from $156m (£97m) in 1987 to $1.2bn by 1993 – an increase of about 4.9m units and a compound annual growth rate of about 40.5 per cent. The company adds that these figures could well be under-estimates.

The reason for this rate of growth is the wide range of benefits offered by having up-to-date and accurate data about all aspects of a company's operations. And that information is only available through automatic identification equipment.

Companies are increasingly recognising the need to be customer-driven and are now able to receive data electronically from their salesmen. These can be issued with hand-held computers and bar code wands and are able to transmit data captured this way via modem. An alternative source of information in the retail market is through electronic point of sales terminals.

The information from these sources can then be collated at the point of manufacture. In ideal circumstances final stage inventory is also controlled electronically. Each package of goods is bar coded and as requests for more goods come in, so they can be located in the warehouse using a static scanner and then sent for dispatch. Inventory among distributors is therefore kept to a minimum.

Continued on page 3

New power for businesses

Continued from page 1

system requiring microcomputer, software, labeling, printer and scanners, can now cost less than $10,000. Moreover, that cost can be further reduced by purchasing pre-printed labels and generic software which will run on a standard PC-DOS personal computer.

The automatic identification industry has also been given a boost by the improvement in available technology. As in other sectors, equipment has been increasingly miniaturised. This has meant that portable computing is now available through hand-held data-collection units which are capable of down-loading data to personal or main-frame computers.

This miniaturisation has created the possibility of distributing data-collection throughout organisations. Salesmen in the field can record sales on a portable computer and transmit the data back to the point of manufacture through a modem in the car. At the same time, workers on the shop-floor who can use hand-held units to control inventory.

Improvements in the reliability of the technology have also helped the expansion of the industry. Not all early installations of automatic identification equipment were a success. Lack of reliability contributed to a number of automatic identification fiascos and helped contribute to a down-turn in the industry in 1985.

The automotive industry in Detroit, for example, had considerable problems with its early automatic identification installations during the early 1980s. These were caused by the introduction of inappropriate technologies for harsh manufacturing environments. The use of untested scanning techniques and the poor quality of bar-codes generated by printers also exacerbated difficulties.

As a consequence of these problems, a number of large concerns in Detroit were, until recently, unwilling to implement the auto-id technology. Analysts believe, however, that the equipment is now sufficiently reliable that large automotive and aerospace companies are prepared to invest extensively in automatic identification.

Although the automatic identification industry is expanding rapidly, it still remains an immature sector. The trade association for the industry, known as Aim (Automatic Identification Manufacturers), admits that a third of companies in the market were founded after 1980.

The industry also still remains fragmented – only 25 per cent of the 600 or so companies in the market have sales of more than $10m a year and no single company has more than 12 per cent of the US bar-code market which represents the largest sector.

Despite this, some companies have experienced heady growth over the last three years. Telxon, the hand-held computer manufacturer, for example increased its sales from $41m in 1984 to $123m in 1988.

Mr Paul Burnett, at Seer Incorporated, says that the rapid expansion of the auto id market has not passed unnoticed elsewhere. However, despite rumours within the industry, Mr Burnett doubts that a large computer company will necessarily make an acquisition in the near future. He argues that data collection does not match most of the core interests of these companies.

Nevertheless, he does expect such computer companies to become increasingly concerned in using automatic identification in systems integration arena. He believes that links similar to the agreement between Digital Equipment, the US computer manufacturer, and Intermec, the Washington State bar-code equipment company, will not prove uncommon.

In the meantime, companies already involved in the sector are likely to want to develop the capability of offering a range of technologies in an effort to provide total solutions to clients' problems rather than single product answers. The merger between Symbol Technologies, the New York state scanner supplier, and MSI Data, the Californian portable terminal manufacturer, is seen as part of this trend.

Despite this apparent rationalisation, analysts expect the market to move sufficiently fast that there will continue to be a considerable number of start-up opportunities at the lower end of the market.

Big rise in retailing applications

Shops reap bar code benefits

IT IS ONLY in recent years that retailers have taken to electronic point of sale equipment with enthusiasm, although the technology has been available for some time.

However, they are now rapidly introducing the equipment to stores and equally rapidly reaping the rewards. Retailing is now the sector where automatic identification systems have made the most impact.

The retailers' systems are based on terminals recognising items, usually by means of a bar code. Each product and each size has been allotted its own code. Article number associations in Europe have developed bar coding to the extent that 95 per cent of supermarket goods are now bar coded.

When the item is passed over a laser scanner, or in some cases when a light pen or gun is passed across the code, the terminal instantly recognises the product.

The terminal then checks the price of the good from the computer's memory banks.

There have been cases where the computer has a different price to that shown on the shelf by the product, and this has led to some loss of consumer confidence in scanning. Retailers have to be careful to stick to strict procedures when making price changes in the computer's memory.

At its simplest, bar coding has allowed supermarket queues to move much faster. The terminal can recognise an item and find its price much quicker than a cashier can ring up a price on an old-fashioned till.

There are other advantages as well as speed — till receipts, for example, now often list for customers what products were as well as how much they cost.

But the benefits of using electronic point of sale (Epos)terminals go far beyond that. The most easily gained and major benefit is in stock control.

With sales information going straight into a computer, a retailer can find out much faster which lines are being sold. It can then make sure of re-ordering more promptly to avoid out-of-stock positions, one source of lost sales.

In supermarkets, for instance, where there are increasing amounts of fresh, perishable goods being stocked, improved control of stock can ensure that the right items are on the shelf on the right quantities — neither too much, leaving unsold stock to be thrown away, or too little so that sales are not maximised.

The computer terminals can be linked directly to the warehouses so that overnight replenishment of stocks can take place.

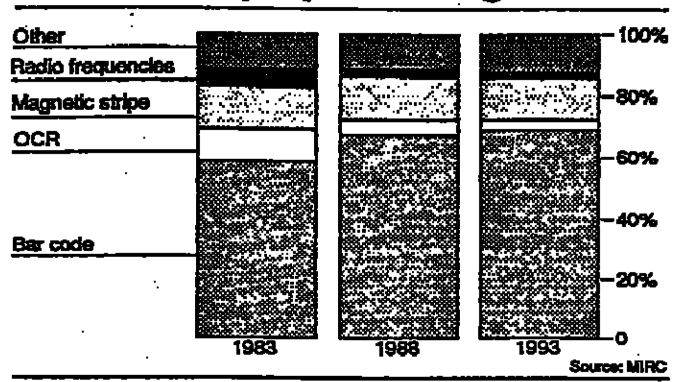
Although food shops are the most obvious candidates for using Epos, other retailers can gain as well. At a recent Financial Times conference on retail technology, Mr Jeremy Soper, divisional director of retail sales at W H Smith, the newspaper, books and stationery retailer, described how Epos had helped the chain.

The group now has 70 per cent of its branches — and 85 per cent of its turnover — going through Epos tills. W H Smith's largest store carries 70,000 different lines. Mr Soper believes that "stock control in a multiple merchandise store is of crucial importance."

In the past, he says, W H Smith had relied on a three-weekly stock count which was time consuming, costly and produced only rough and ready re-ordering calculations, plus high levels of stock needed to keep stock on the shelves during the long re-ordering lead times.

Stock replenishment is now based on a seven day cycle. Stock re-ordering is worked out by the computer, taking account of variable factors.

Western Europe: product segments



As a result, "we can ensure better availability of the designated range," Mr Soper says.

The branches are run more efficiently, stock levels are lower, and less staff time is devoted to counting stock. Already these benefits are being shown up in improved profits.

Using Epos can dramatically improve a retailer's ability to make profits — so much so that Mr Felix Barber, of the Boston Consulting Group, reckons the Epos could help revive department stores, a type of retailing which has been in decline in many parts of the world.

He argues that one of the toughest problems for department stores is making sure the right stock is available. Epos, he says, can help management to make the correct decisions.

Boots, the chemist chain, has also attributed improved profits to its use of Epos. It reckons to be the largest user of Epos tills in the Europe. Mr John Berry, director of management information, accepts the stock control benefit of Epos as just a start.

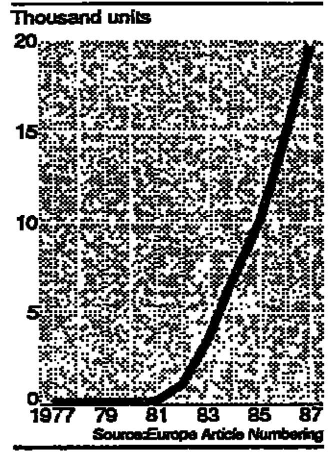
His aim in installing Epos was to use the information generated to aid marketing. Combining the Epos data with direct product profitability, Boots can be much more aware of which goods are actually making profits rather than merely sales.

Boots can also make experiments on price sensitivity, which enables the group to pitch prices correctly to optimise both sales and profits.

Mr Berry comments: "Information technology produces the facts, it does not take the decisions. But without reliable facts, you cannot make the right decision."

Bar codes have other possibilities for supermarkets too. Now they can easily introduce special offers — for example offering money off if two or more of the same product is bought.

Increase in scanning stores in Europe



As the shopper's basket is unloaded and passed across the scanner, the terminal spots the second packet of the same item and automatically knocks off the reduction. The gain from making the extra sale more than offsets the price reduction.

More outlandish promotions can also be introduced — the purchase of a lettuce could give a customer a discount on salad dressing, for example. Advanced Promotion Technologies, a US group, has developed systems where the scanning of an item can set off a printer which issues a coupon giving money off another item on a future shopping trip.

This ploy could help generate store loyalty, a concern of every retailer in the current competitive environment.

Bar codes are certainly making profits for retailers — and so long as customers are sure they are not suffering as a result there should be much more to be made from scanning.

Maggie Urry

More factory efficiency

Continued from Page 2

The manufacturing plant is also linked through electronic data interchange (EDI) to its suppliers. The materials necessary to replace the dispatched stock are ordered and delivered on a just-in-time basis. Their arrival is logged by scanning bar codes on the side of the packaging. Traditional paperwork and the normal associated errors and delays can be avoided. Inventory turnover can be increased many times.

When the parts arrive, the major components are bar coded if they have not been already. As they pass through each stage of the manufacturing process the bar codes are scanned individually by the worker using a hand-held data capture device.

This serves two main functions. Firstly, it records which steps in manufacturing have been completed for each item and avoids components being missed.

Secondly, it helps quality control. Each worker is identified with a particular part of the manufacturing process and a particular product. If during testing faults are discovered, their origin can be traced and repetition avoided. Bar codes can also be used to instruct machines which test programs to run on which product: if the program registers a fault it can be rejected and the origin of the problem identified.

The use of automatic identification, whether bar code or radio frequency, is also essential to flexible manufacturing systems. As each unit is scanned, so the company is able to monitor the flow of goods. If a significant order is identified as being behind schedule, resources can be re-allocated.

More importantly, the use of automatic identification allows companies to manufacture customised products while maintaining economies of scale.

One of the paradoxes of the potential single European market is that it offers economies of scale similar to those available in the US. However, its multiplicity of languages and regulations mean goods must be customised, which can seriously disrupt the manufacturing process.

The use of automatic identification equipment allows small batches of orders to be produced without seriously disrupting manufacturing. At dispatch, the individual packages can be supplied with another bar code, this time so that the distributor can scan the item. On fast-moving production lines ink-jet printers, capable of 35,000 bar codes an hour, would be used.

Although in theory the benefits that can be obtained are undoubted, the implementation of automatic identification is more problematic.

Some of the pioneers of industrial automatic identification in the aerospace and automotive industries during the 1980s had serious difficulties implementing their systems. Indeed, in 1985, these problems, combined with a slow-down in general investment, caused a significant fall in sales of automatic identification equipment.

The use of magnetic stripe technology on the factory floor was heavily promoted in the early 1980s by some US computer companies. Boeing, the US aircraft manufacturer, invested heavily in magnetic stripe technology which was not really appropriate for the application. Its problems were exacerbated when its main supplier ceased to support the technology effectively. The company is now changing to bar codes.

In Detroit, a number of automotive manufacturers also invested in automatic identification equipment which was not geared to the harsh factory environment.

Chrysler, for example, installed 50 retail-type fixed holographic scanners, which soon proved inappropriate. Other companies found that they installed the wrong sort of printers with insufficient definition to be read in shop-floor conditions. Chrysler is now installing a radio frequency system which is more expensive than bar coding, but more suitable to a factory environment.

Both manufacturers and analysts believe that automatic identification technology is now proven and the range of systems available should be able to deal with most situations and applications.

Analysts stress that the eventual level of investment in such equipment is linked to the performance of the US and European economies. But the outlook for automatic identification in the industrial sector is undoubtedly rosy.

Market Intelligence Research Company, 2525 Charleston Road, Mountain View, California, 94043, tel (415) 961-9000.

Paul Abrahams

Vital aid in the transport and distribution sectors

Keeping track of packages

ONE OF the main reasons for the rapid expansion in the automatic identification industry has been the plethora of examples demonstrating the benefits that the technology can offer.

The transport industry and, in particular, companies in the international courier sector, offer some of the most potent examples of these benefits in action.

The major courier companies, such as DHL and Federal Express, are fully committed to automatic identification. Last year, for example, Federal Express, the Memphis-based delivery company, spent about 5 per cent of its gross income of $5bn (£3.1bn) on information management technology — *technology which depended* heavily on data supplied through bar-codes.

The benefits have been apparent in the expansion of the courier companies — an expansion which, analysts believe, would not have been possible without their investment in information management systems and automatic identification technology.

Both DHL and Federal Express use bar-codes to track packages through their distribution system. A typical process might be as follows:

- On collection from the customer, the package is provided with a bar-code which uniquely identifies it. The bar-code is immediately scanned by the courier company employee using a light-wand attached to a portable computer. Both are supplied by Hand Held Products based in Charlotte, North Carolina.
- By scanning the bar-code, information about the package is entered into the portable computer.

This data includes details about the time the package was picked up, the day of the week, customs information, whether it contains dry ice and the priority of the item.

- In the Federal Express laptop computer, this data is analysed by a specially written program.

This program, which is updated monthly and uses about 400 kilobytes of memory, contains details about scheduled flights used by the company and then works out the best route for the package to use. This avoids the employee having to remember particular routes.

- When the employee returns to the delivery van, this information is down-loaded to a digitally-assisted dispatch system linked by radio frequency to a local centre.

The data is transmitted the centre from where it is immediately retransmitted to world headquarters. In the case of Federal Express, the process of transmitting data to its headquarters in Memphis takes, on average, 1 minute 27 seconds.

DHL says that, previously, such data had to be keyed in by hand and took about four to five hours, with the attendant risk of mistakes being entered. The company says one of the services it offers clients is to obtain swift customs clearance.

To achieve that, information about items needs to be sent in advance of their arrival. Before the company used bar-codes, packages flying trans-Atlantic on Concorde ran the risk of arriving first.

- Packages are then scanned at each stage of their journey. Federal Express says that an item will be scanned at least six times before it arrives at its final destination. For this purpose, DHL uses fixed scanners supplied by Welch Allyn, based in Skaneateles Falls, New York.
- As the parcel is handed over at its destination it is scanned one more time, once again using a portable computer and light wand. This registers the final time of arrival.

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Clive Cookson reports on medical applications

Slow start in health industry

HEALTH CARE might seem to be an ideal field for automatic identification. Products such as drugs and batches of blood, which must be identified quickly and accurately in pharmacies and hospitals, are obvious material for bar-coding, and medical information about patients themselves can be coded conveniently on a smart card.

But, in fact, the health industry has been relatively slow to adopt automatic identification. According to the US-based Market Intelligence Research Company, worldwide spending on automatic identification for health care will grow from $254m (£153m) in 1988 to $588m in 1993.

The company suggests the industry may be "waiting for someone to take the initiative", rather like the grocery industry in the 1970s before the widespread introduction of supermarket scanners. "The health industry has a history of delaying investment in management automation," it says, "while health products manufacturers also will not bar-code unless required."

Even so, pharmaceutical companies in Europe and the US are increasingly bar-coding packets of drugs with content and batch information. Retail pharmacists have less incentive than supermarkets to scan bar codes, because their throughput is so much less, but the industry as a whole stands to benefit from more efficient stock control and automatic re-ordering, if manufacturers label pharmaceuticals with a standard code.

In the UK, the Association of the British Pharmaceutical Industry (ABPI) has taken the lead in recommending manufacturers to label all their products with the European Article Numbering (EAN) code. This is the 13-digit bar code which has become an international standard in the retail industry.

Dr Jeff Kipling, ABPI commercial services executive, says EAN will eventually replace the Pharmaceutical Interface Products (PIP) code, a more specialised six-digit code run by the National Pharmaceutical Association (the trade body representing retail pharmacists in the UK).

The longest-established use of bar codes in health care is to identify blood packs. The American Blood Commission adopted Codabar, a code developed by Monarch (part of the Pitney-Bowes group), as a standard for blood bag labelling in 1977, and this is now used internationally.

For identifying other medical supplies, Intermec's Code 39, the most widespread industrial bar code, is commonly used. And a new highly compact code from Intermec, Code 49, will make it easier to put bar codes on very small items such as single doses of medicine or patient identification bracelets.

However, only a very small amount of identifying information can be held on a bar code. When more data storage is required, other technologies have to be used.

The sector generally stands to benefit from more efficient stock control

Smart cards – plastic cards containing a computer chip – are the leading contenders when it comes to patient identification. The most comprehensive trial so far of smart cards for health care started in March in Exmouth, Devon.

The Department of Health is issuing "Care Cards" to 8,500 people in Exmouth (the entire patient list of one general practice, all children and elderly patients in a second practice and all diabetics in the area). The cards, containing a 16 kilobit chip, are made by Bull, the French computer company which is the world's leading smart card manufacturer.

The card holds details of the patient's medical history and medicines being prescribed. To maintain security, only the card holder and authorised health professionals can read the information. A patient can view his or her medical records on a terminal in the GP's surgery, after entering a personal identity number (PIN).

The health worker – doctor, hospital staff, dentist or pharmacist – requires both a PIN and a key card which identifies the user to the system and limits its access to areas of direct professional concern. A prime objective of the one-year trial is to transfer information between GPs, hospital doctors and pharmacists far more efficiently than is possible with paper.

The Exmouth Care Card could be a forerunner of the European Health Card which the EC wants to introduce. This will probably be based on smart card technology, though there are other possibilities. One is the optical memory card, which has potentially greater storage capacity than the smart card.

The LaserCard made by Drexler, a Californian company, can hold 2.86 megabytes (million characters). That is enough to store digitised X-rays, body scans, medical diagrams or photographs. A LaserCard field trial, sponsored by the Italian Ministry of Health, is starting in Sardinia this year.

ACCESS CONTROL

The ins and outs of security

ACCESS CONTROL has been used for nearly four thousand years – the Greeks were probably the first to have a lock and key system, which the Romans copied in bronze. Europeans are still in the forefront of developments in security as the need to protect sensitive premises and equipment from intruders becomes more and more important.

The European market for such security products, known as the access control industry, will become even more buoyant as technology refines and the cost of vital microprocessor power falls, predict Frost and Sullivan, the New York-based analysts.

They say the European market for products such as smart cards will maintain a steady growth of just over six per cent a year until 1993.

Since the early 80s, the security industry has undergone a revolution – from being undercapitalised and fragmented to multinational and brand name oriented.

Now the Western European market is developed, with a wide range of technologies and "end-users" – from hotels to hockey stadia.

The maturity of the market creates its own problems. Frost and Sullivan say Spain is the only European country still holding great promise for growth in access control products. "It is still a very young, underdeveloped market with a *potential size on a* par with Germany, France, UK and Italy," they say.

While the key to the market is still diversity, Frost and Sullivan are sounding warning notes for the access control industry.

The single European market in 1992 will threaten the industry with a "trauma," the analysts predict, which will fundamentally change the security installation market.

Additionally, in the early years, companies capitalised on rising unemployment and crime rates to expand. Now unemployment is falling, the *company points out, so might* crime rates and the demand for security products.

Security installations are viewed by companies as unproductive investments with no visible rate of return; often, security expenditure is one of the first of a company's cost-cutting measures.

The residential end-user is not such a good customer either. "The typical householder has very little to show after installing a security system. The anxiety about having an intruder wreck one's home is often simply replaced by the awful fear that the security system, when it is called upon to do its job, will not function anyway," Frost and Sullivan points out.

These factors make selling the systems a hard task. Although it is an exciting market, it is also over supplied and highly competitive.

Also, costs are very high in a market which is not fundamentally very different from the domestic door locks market.

The biggest push has to come from the manufacturers, who are competing to develop products which do not generally have a great deal of consumer demand behind them.

The range of access control systems is vast. Mr Stewart McAinsh, security consultant at Hampshire-based Security Advisory Services, thinks that "hands free" systems are the way of the future. Here, the person carries a token in his pocket or bag, which he does not have to push in a slot. As he passes through a door, an electronic reader checks the token and opens the door. The *Dutch company Nedap is* the market leader in hands free systems, which cost about £1,500 per door. Although hands free systems only account for between 1 and 3 per cent of the access control market, Mr McAinsh says this could grow to 20 per cent in the next five years.

Electronic locks are also tipped for widespread use. They have the advantage of being familiar, and also strengthen a weak point in access control – the actual lock which makes a door safe.

Keys containing chips and user information are inserted into a lock, which reads the key and allows entry. Each key can be personalised, which makes them very useful for hotel rooms.

The "smart card" is likely to succeed the "dumb" identity cards with magnetic strips. Mr Terry Mechan, sales and marketing manager at Remsdaq, a subsidiary of De La Rue, the UK-based security company, says that magnetic cards now have 80 per cent of the market.

But smart cards will naturally overtake the limited capacity magnetic stripe because its applications are endless: it can work as a credit card, medical record card or phone card as well as access control.

"By the mid-1990s, smart cards and related equipment and systems could easily burgeon into a $20-25bn market," Frost and Sullivan say.

The smart card could control access into a variety of sensitive areas. The most promising is to central computer databases, which cannot be protected by locks, guards, and gates.

Electronic locks are tipped for widespread applications

A card with an encryption can be used with a reader to authorise entry into a computer system. The card is programmed with a PIN code as an identifier. The cardholder inserts the card and enters his identifier, which is compared with the encrypted identifier stored in the host computer. If they match, the cardholder gets in, either to the computer or to a controlled area.

The technology that gets most attention is that of biometric systems. They are intelligent, giving them an advantage over passwords, magnetic tokens or keys, which can all be lost, stolen or passed on.

Biometric systems can recognise almost any characteristic of the human body to identify the individual. They can recognise voices, fingerprints, footprints, and the pattern of blood vessels at the back of the retina.

Currently the only commercial "voiceprint" access control product is the "Voicekey", which can recognise 2,500 users. It is rather expensive, about $16,000, but is promoted by its manufacturers, Securitas Technology, on the basis that it is user-friendly.

The Voicekey measures spectral frequencies straight from the voicebox and ignores distortions caused by colds or other abnormal conditions. Enrolment takes about 20 seconds. The user chooses a spoken password which is entered at the voice reader as a series of voice patterns. The user also has a PIN.

Retina scanners are quicker, taking only seven seconds per enrolment, but employees are frightened they are damaging to the eyes. Eyedentify, developed by Hagen Electronics Limited, is one of the few products yet developed. The user's eye is scanned by a low-intensity beam of light which samples the pattern of the retina at 320 points.

Mr Ken Luck, assistant director of Corporate Security services, the Chamber of Commerce independent consultancy, said it typifies "lack of user-acceptability of biometric systems."

Their unfriendliness seems to explain the slow growth of the biometric market, even though biometric technology is so competitive that a system is usually obsolete before it is commercially launched.

Also, biometric systems are vulnerable to human fallibility. One firm, which required all its workers *to be at work on* the dot of nine, installed an expensive retinal scanner to open the gate into the workplace. Rather than be late, the 400 workers in the queue for enrolment used to hold the gate open for each other rather than wait to be scanned.

Manufacturers admit that the technology they are offering is outpacing demand. Mr Luck says this creates the Picasso syndrome, where firms assume that if a system is incomprehensible and expensive, then it must be good.

"Often, the ordinary burglar can be kept out with normal *housekeeping," said Mr Luck.* "Some technological advances try to create demand in order to justify the advance."

Rachel Johnson

Keeping track of packages

Continued from previous page

Both companies say the *information gleaned each time* a parcel is scanned has helped them improve their efficiency.

"The investment in information management systems is, despite its high price, cost-efficient," says Mr Chris Demos, business adviser in strategic integrated systems at Federal Express.

"It's cost effective because we can see if something is going wrong or going to go wrong *before it happens* and remedy it, instead of waiting for the customer to complain. By doing that we retain the customer," he says.

"Paper is ultimately going to go into decline," explains Mike Hurt, regional Management *Information services* manager in the UK and Republic of Ireland.

"The emphasis of our business will change away from documents to components as electronic data interchange, electronic funds transfer and fax reduce the amount of hard copy transmitted."

Mr Hurt explains that the courier companies will increasingly have to meet the concerns of manufacturing industry.

In particular, he believes that logistics managers not only want door-to-door delivery, but also precise information about the timing of arrival.

"With increasing concern about just-in-time management and inventory control, customers want to know where a package is and exactly when it will arrive. That sort of information is only achieveable through management information systems," says Mr Hurt. "If an aircraft develops a fault we can warn a client in advance."

Mr Demos at Federal Express agrees that the service the company provides is not limited simply to pick up and delivery, but also inclues supplying information about its whereabouts. He says that with a high value product, the company needs to know where it is and not just guess.

"From the scanning of the bar codes along its route, we obtain a tremendous amount of information," says Mr Demos.

To meet the challenge of the courier companies using this sort of technology, the traditional postal services are also investing in automatic identification systems. Both the US Postal Service and the Post Office in the UK have invested in such equipment to improve their efficiency in sorting mail.

The US Postal Service has launched an ambitious programme so that by 1995 it will be automatically sorting 100 *per cent of mail* passing through the system. At present, 25 per cent of the 500m items delivered daily are sorted using bar-codes. The Service plans to invest $5bn over the next five years to achieve its target.

The UK Post Office's plans are somewhat more modest – in line with its daily delivery of a mere 54m letters a day. Nevertheless, it is investing £620m over the next three years in improving its service.

Some of that sum has already been invested this month with the purchase of 20 optical character recognition machines to supplement the 17 AEG Olympia machines already installed. Admittedly, not all experiences of automatic indentification within the transport industry have been as succesasful as these projects.

One of the early attempts to use bar-codes in the North American railroad industry in the mid-60s was particularly unsuccessful. The Association of American Railroads took seven years to install the required scanners and supply 2m freight cars with labels. However, because the labels were poorly maintained they became too dirty to read and this problem, together with difficulties of compatibility, meant that the system was virtually abandoned.

There have also been practical problems with automatic identification ticketing systems. For example, after the installation of a system in Hong Kong by the Mass Transit Railway Corporation in 1979, the Corporation discovered that 73 per cent of people going to pay excess fares had had the coding on their tickets removed. Almost all of these were women whose tickets had been wiped by the magnetic clasps on their handbags. Ticket pouches with zinc-plated mild steel panels had to be introduced to protect the ticket from magnetic influence.

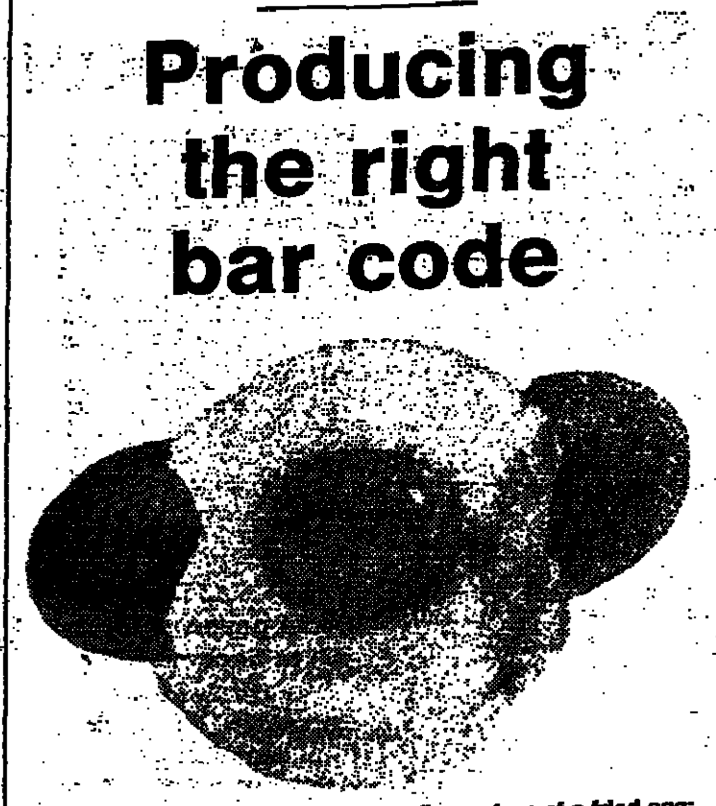
Most of the practical difficulties involved with automatic identification are now thought to be solved as the technologies become more established.

As a result, the market for automatic identification in the the transport sector is expected to increase rapidly in the early 1990s. Market Intelligence Research Company, in the US, estimates that in 1987, 451,000 units worth $34.4m were sold to the transport market. It believes this will increase to 2.4m units, worth $602m, by 1993, adding that much of the growth could come from the airline sector where bar-codes or magnetic stripe technology could be used to identify and match baggage and passengers.

Paul Abrahams

PRINTERS

Producing the right bar code



Printing upon an eggshell - and even the surface of a fried egg: examples of the way that new technology now makes printing possible upon very fragile surfaces.

IF THE HUMAN eye is capable of making adjustments for poor printing – and, with newsprint, it has been forced to do so, *far too much and far too often* – the same is not true of scanners.

These machines have little tolerance and are liable to register no-reads and, less commonly, mis-reads, if printing does not have adequate definition.

The choice of printer to generate bar codes is therefore critical because if the bar code generation is inadequate it can make the best reader, terminal, system and software useless, rendering the investment worthless.

Given that the choice of printer is so important, deciding which one to buy is not made easy by the bewildering range of technologies available to generate bar codes.

Moreover, that difficulty is made worse by the immature and fragmented nature of the market. There are a large number of companies offering both competing and complementary technologies.

The choice of printer for any automatic identification project depends on the application. A wide range of facters need to be considered.

These include environmental conditions, the products to be marked and whether the labels are to be generated on demand or as part of a continuous production line. It is also necessary to decide whether different formats are required, what resolution is needed and, finally, how often the bar codes are likely to be read.

At last year's Scantech conference in Europe, Mr Arun Gupta of Hewlett Packard, the US-based computer company, explained how different technologies were valid for different applications.

He gave the example of his personal computer. When he took the machine apart he discovered six bar codes *contained within it* – all of which had, quite justifiably, been printed using different technologies. These ranged from a symbol generated by a dot-matrix printer on the outside case to another attached to a printed circuit board which needed to withstand soldering and acid baths.

Despite the confusion of technologies, one advantage of the range of printing technologies available has been that there is normally a method available that will generate the required bar code.

These technologies are normally divided into three categories: commercial, impact and non-impact printing.

Commercial printing, such as traditional offset printing, is usually performed off-site and is often used in the retail trade *for volume production of labels*

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Machines with the power to read

Scope for expansion

LOOK AT the bottom of your cheque book and you will see a script which forms the basis of the daily processing of millions of banking transactions. The characters are printed with special ink which allows Magnetic Ink Character Recognition (MICR), a mature technology which is increasingly linked with its non-magnetic relation, Optical Character Recognition (OCR).

Superficially, it is easy to think that the future for the MICR market is depressing. As more and more consumers use credit and direct debit cards, the outlook for cheque volumes should be more bleak than it actually is.

In the UK, for example, nearly a quarter of the adult population is "un-banked" — industry jargon meaning they do not have a cheque account. Thus, there is good reason to believe that the growth in cheque processing witnessed in the last few years will continue. According to Mr Geoffrey Tait, product marketing manager for NCR: "From around 2bn transactions in 1987, we expect the market for cheque processing to plateau at roughly 3.7bn in 1991."

Mr David Billman, UK sales manager for Recognition Equipment, the world's leading supplier of MICR and OCR equipment, agrees: "From our discussions with banks and building societies, we are forecasting a considerable increase in cheque use. More people will have bank accounts and there will be increased demand for high speed bank processing equipment."

MICR is a highly specialised market, using a technology essentially unchanged since the 1960s. The ink contains magnetic particles, while the E13B font is standard throughout the industry.

Meanwhile, the OCR market — predicted by some industry analysts to be entering a phase of stagnation — arouses great enthusiasm among OCR equipment suppliers.

OCR, while similar in theory and application to bar-code technology, has one fundamental difference. The reading of printed material, using optics and the capability to convert the information into ASCII code, is common to both, but OCR has to cope with a multitude of typefaces and printing methods.

Until recently, this has put constraints on its operational advantages. Effective OCR was limited to two standard typefaces known simply as OCR-A and OCR-B. These were designed to be produced on typewriters and basic impact printers, and had the advantage that they could be read by people as well as machines.

Technology has made rapid strides, however, and the latest generation of machines is likely to transform the applications of OCR. Now, OCR uses complex algorithms to analyse digital bit streams, incorporating programmes which make statistical judgments that certain patterns of pixels represent specific digits or characters.

Local government is set to become a big user of optical character recognition technology

Although the development costs are high, once in place the recognition and capture of data via such methods is very cheap. What is holding OCR back are continued doubts about the reliability and accuracy of its character recognition.

One recent US conference audience was told that attempts by the US tax authorities to use OCR technology for data and document processing was hampered by limited accuracy and the need for a high degree of human intervention.

In some cases, recognition rates were so low that the necessary human intervention yielded data conversion costs nearly as high as straight manual conversion.

There are important lessons for the UK, where the introduction by the Government of the controversial poll tax will result in a massive expansion of readable documents — "the tax will throw a lot more paper into the clearing system," says Geoffrey Tait of NCR. "It makes sense to automate the payments side of the tax."

Local government is thus set to become a major user of OCR, while among the biggest customers are the utilities. Mr Billman cites the example of the UK's privatised gas utility, British Gas. Recognition Equipment is one of the suppliers helping Gas to fit its showrooms with cash-receipting systems and OCR readers to speed up the processing of customers' payments.

One utility which needs to improve its record is the Post Office. Unlike its French and US equivalents, the Post Office suffers a major handicap because it operates an alpha-numeric post code system.

Much of its recent investment has been in OCR equipment which allows typed and printed post codes to be read by a scanner. The system can recognise up to 50 different typefaces, jet-printing a series of blue-phosphorescent dots in binary format on to the front of the envelope. These dots represent the post code, and can give details of the address down to a single building.

The postcodes of non-typed addresses can be entered through a key-board by hand and the dots then printed out in the same way on to the envelope.

Mr Keith Phillips, head of engineering research and development at the Post Office says that at their best, the scanners, supplied by AEG, will read 32,000 letters an hour.

Critics point out, however, that printed or typed post-codes occur on a small minority of mail, and that the UK is far behind France, where a combination of machine reading of the actual address and scanning of the numeric post-code is already producing dramatic efficiency improvements in trial situations.

Another possible growth area in the UK will be the new business created by the planned flotation of building societies, themselves becoming more like banks as they strive to offer extra services to their customers.

The millions of new shareholders created by the Abbey National flotation alone will result in a huge volume of both cards and payments documents, with obvious OCR applications.

Perhaps the most exciting developments in OCR technology concern the rapid advance of image scanning equipment, but this has applications away from automatic identification.

Andrew Freeman

The plastic card collection grows

■ ANDREW FREEMAN looks at developments in magnetic stripe technology.

YOU KNOW an industry is expanding rapidly when it suddenly begins to impinge on the lives of ordinary consumers and workers for the first time.

Two developments have recently made me fully conscious of magnetic stripe technology and its role in the automatic identification business. The first was the replacement of my old bank cheque card by a new and more sophisticated card which has a triple function, as credit card, cashpoint card and cheque guarantee card. It can also be used instead of cheques at selected retailers.

The second was the issuing to all Financial Times employees of a card for access control and vending machines as part of the recent move to a new building. A leap into a modern office environment with appropriate technology and the need for corporate security gave the impetus to a change not warmly welcomed by all members of staff.

Both these additions to my wallet rely on magnetic stripe technology to identify me in particular situations. And according to Mr Rodney Woodhatch, sales manager of McCorquodale Security Cards, my experience is typical — "cards of all sorts are a huge growth area, and most of them have a magnetic stripe," he says.

MIRC, the consultants, estimate sector growth at an annual 23 per cent, suggesting that magnetic stripe has the potential to become the major rival to bar code technology.

As evidence of the market's existing size and importance, MIRC points to an estimate by the Electronic Funds Transfer Association that in the US in 1987 there were 152m debit cards and 179m credit cards in use.

Magnetic stripe is relatively costly, but attractive payback ratios mean it will enjoy strong growth in its traditional strongholds, finance/banking and the retail market.

Costs have risen in parallel with the sophistication of the cards themselves, but the basic technology is relatively simple. The magnetic stripe is manufactured separately and then attached to the body of the card. During the attachment process, the stripe is encoded and embossed with its personal characteristics, for example, bank or credit account details.

Two processes of attaching the magnetic stripe are typical. In the UK and Europe, the stripe is laminated on to the card in what is called the premium or flush method. More common in the US is the hot-rolling of the stripe on to the card after the printing and manufacture of the card is otherwise complete.

As the cards themselves become more complicated — McCorquodale, for example, prints picture cards with up to 20 different colours — costs have risen, but even the most expensive card costs only around 25p.

Against current charges of some £5 for a chip card, then, magnetic stripe looks secure for the moment. However, debate in the industry centres on how magnetic stripe will fare against the chip and hybrid cards of the future.

Mr Orest Pisani, manager of the information systems department of Omron, which manufactures and supplies card readers to banking and telecoms companies, thinks magnetic stripe has an advantage which will last - "it will remain a huge market for at least the next five years, because chips will be too expensive," he says.

Mr Woodhatch agrees: "Banks have made huge investments in card readers and magnetic stripe systems. It will be very expensive to change to another medium, and it's hard to see them doing it while magnetic stripe is seen to work."

Nevertheless, he forecasts a period of between five and 10 years during which hybrid cards may be developed as part of a gradual shift towards new technology. MIRC cites the fact that in the US, the two major consumer credit card companies, Visa and MasterCard, put their plans to introduce smart cards on ice after it was judged too expensive.

In some markets, magnetic stripe is set to undergo massive expansion as governments plan to introduce indentification cards. In others, it will consolidate its market share.

Additionally, however, a host of newer applications should cement the magnetic stripe business. Modern transport systems are increasingly using ticketing methods based on stripes, while telephone cards which hold credit are common throughout the world.

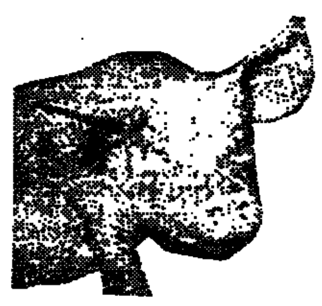
Vending machines are forecast as a major growth area, while several governments are known to be considering using magnetic stripe identification to streamline the payment of welfare funds such as unemployment benefits.

The great advantage of magnetic stripe is that the data stored on the stripe can be re-written, whether to change personal details, update an access code or to input new credit details.

The stripe itself carries three operational tracks, each with a different encoding density. The first track, once called the IATA track because of its wide-spread use by international airlines, allows up to 76 usable alpha-numeric characters.

The second track is still called the ABA (American Banking Association) track. It allows 37 usable numeric characters and normally carries the so-called BIN (bank identification number).

The third track, known as MINTS, carries up to 104 characters, which are usually encrypted and contain details like credit limits and personal identification numbers.



Example of the latest in ear tag technology at Philip Greenacre's Suffolk farm.

Farms send out the signals

■ DELLA BRADSHAW highlights advances in radio frequency identification systems.

CATTLE farming has given us few technologies which can be applied to business and manufacturing — but automatic identification using radio signals is one of them.

Radio frequency (RF) identification systems are one of the newest forms of automatic identification, and are now being used for everything from identifying manufactured goods on the production line to simplifying toll charge systems for roads, bridges and tunnels.

The demand for such equipment is growing fast. The world market for RF identification was worth only $63m (£38m) in 1987, according to market research company Cutter Information Corporation, of Arlington, Massachusetts. The potential market could be £1.3bn by 1991, though the industry's capacity by then is expected to be only £375m.

RF identification systems cover a range of technologies, but essentially consist of electronic tags which are attached to the product or animal. Each tag has a small printed circuit board that contains a receive and transmit antenna. A reader, or decoder, sends out a radio signal to the tag, and from the response recognises the equipment or item.

In the cattle business, which was the first sector in the UK and Europe to use RF identification, tags on cows' necks can be used to recognise each animal as it comes indoors to be fed. Farmers can use the equipment to promote individual feeding programmes.

One of the most popular applications for RF systems today, in the UK and on the Continent, is as a method of controlling access to buildings. Each card is programmed with a unique identifying code, which is passed in front of the scanner system and "read".

In the UK organisations as diverse as the Daily Mail newspaper, the Maritime Museum in Liverpool and Bank of America are using such systems. They have all opted for equipment from Schlage Electronics, of Santa Clara, California, a subsidiary of Ingersoll Rand. With the Schlage system each card has to be passed within four inches of the reader.

Other manufacturers of RF systems, for animal, building access and industrial applications include AT&T, Mars and Allen-Bradley of the US, and an array of European electronic equipment suppliers, such as GEC of the UK, Philips of Holland and Siemens of West Germany. The market also has room for a large number of smaller specialist suppliers.

Building access systems are relatively low priced applications, as the tab or card is passively encoded. That means that when the reader sends out the radio signal the capacitors on the tab, which are tuned to the correct frequency, respond in a pre-determined sequence, identifying the card.

More sophisticated systems, usually used to identify equipment in manufacturing processes, are battery-powered and can be programmed during manufacture to add more information. The latest systems have the capacity to store up to 8,000 characters, and can operate with the reader as far as 20 feet away from the tag.

The main application of the programmable tags is in sectors such as the automotive industry — several car makers are using RF systems to keep track of their products. As each part of the manufacturing process is completed, the tag is amended by the reader, and the vehicle can then pass on to the next part of the process.

The car industry is an obvious target market for this type of tagging. The minimum price for a complete system of reader and tags, for example, is about $2,000. However, as the cost of the advanced electronics comes down, the RF systems should find a growing number of applications. Cutter Information Corporation predicts that during 1989 a number of new applications will grow rapidly to dominate the market.

One particularly strong area will be in car licensing systems, bolstered by the introduction of RF tagging in several US states as part of the process for registering vehicles. The aim of the project is to help in vehicle identification for toll collection, safety inspections and ticketing procedures.

Cutter predicts the market for car licensing systems, which was worth $12m in 1988, will generate sales of $165m this year and $250m in 1990.

Another large growth areas will be in baggage tagging. Recent worries about the security of baggage handling at airports are likely to promote RF systems in this potentially lucrative market.

There are some limiting factors to expansion of the market for RF systems, however, principally legislative and environmental. Because the radio spectrum is a finite resource, its use is highly regulated in most countries. For that reason, many higher frequency RF identification systems have to be licensed for use by the appropriate national government or government-related bodies.

Advances in printing technology

Continued from page 4

for food packaging, when unpredictable information is unlikely to be added.

Until recently, however, the generation of art-work containing bar-codes tended to be expensive, because it required a film master costing between £7.50 and £15 for each bar code. The complete cost of pasting this to produce finished art-work could range between £45 and £55 each item — a costly investment if thousands of labels were needed by a supermarket launching its own brands.

However, software developed by Leicestershire-based ComputaLabel which is capable of running on an Apple Macintosh should make the process more attractive by bringing down the price to about £13 an item.

The second main method of generating bar codes is by impact printing. This was one of the earliest methods of creating bar codes and is particularly used for creating low-cost, high speed and good quality images. A drawback is that it is difficult to use the technology to create serialised bar codes or make changes during the printing process.

Dot-matrix printers present another option. These are more versatile than impact printers but generate labels more slowly and, because of the round dots used to create the lines, tend to leave ragged lines which can be difficult for less sensitive scanners to read.

Non-contact methods of printing include ink-jet, laser, thermal, thermal transfer and ion deposition.

Laser printing offers excellent quality, but tends to be expensive in comparison to some other technologies.

Thermal printing is most commonly seen by the public in supermarkets at vegetable or delicatessen counters where they are used to generate codes quickly and quietly. This method has the advantage of comparative low cost, but the bar-codes generated in this way are affected by environmental conditions, especially heat and sunlight.

Ink-jet printing is often incorporated into production lines because of its speed and flexibility — information can be changed on each item printed even though some printers are capable of 35,000 bar codes an hour. This technology is useful for delicate surfaces because there is no actual contact. The printing can also be continuous or drop on demand.

Ion deposition and thermal transfer printing are also expected to play an important role in the automatic identification in future years.

One further technology which has become available recently is laser etching. This is seen as a potential solution for applications in harsh environments.

Paul Abrahams

COMMODITIES AND AGRICULTURE

Oil prices fall on worries about Opec manoeuvring

By Steven Butler

OIL PRICES fell yesterday as markets reacted with concern to manoeuvring by key members of the Organisation of Petroleum Exporting Countries in advance of the Opec ministerial conference in Vienna, which is set to convene on June 5.

Saudi Arabia plans to reintroduce proposals to set a $15 a barrel floor price on oil produced by members of the Organisation of Petroleum Exporting Countries at the Opec ministerial conference set to open on June 5 in Vienna, according to the Middle East Economic Survey, the Cyprus-based weekly.

The proposal provoked a storm of controversy when it was introduced at last November's meeting after an agreement had already been hammered out that brought Iraq back into the quota system on equal terms with Iran. The proposal was seen as jeopardising the agreement.

Meanwhile, Petroleum Intelligence Weekly, the oil industry newletter, said yesterday that Kuwait was ready to flood the market with oil unless the Opec ministers agreed to increase its share of Opec production. Sheikh Ali Khalifa Al-Sabah, the Kuwait oil minister, suggested in March that both the United Arab Emirates and Kuwait should receive a higher allocation, although he later said this was merely an idea to be considered.

Brent oil for June delivery closed off 62¼ cents at $17.30 in European trading. At the New York Mercantile Exchange, June futures contracts were unchanged cents at $20.425 in midday trading.

The Saudis evidently believe their proposal would help to prevent a collapse of prices, while allowing the market to determine prices according to supply and demand conditions above this level. This would involve scrapping the $18 reference price for Opec oil and allowing prices to rise possibly higher than $18.

King Fahd recently said that oil prices would rise to $26 a barrel by next year if Opec members stuck to their quotas. Many analysts saw the King's statement as a rebuff to Kuwait demands for a higher production ceiling and a greater quota allocation, as well as a criticism of overproduction by Opec members, who are believed to be producing at roughly 2.5m b/d over the Opec ceiling of 18.5m b/d.

THE DANISH state oil and gas distribution company has contracted to buy 38bn cubic meters of North Sea gas from the Danish Underground Consortium, consisting of the Denmark's A. P. Moeller group, Shell, and Texaco, writes Hilary Barnes in Copenhagen. The deal is expected to lead to the development of the Harald gas field in the Danish sector in the early 1990s at a cost of around DKr 6.5bn (£570m), including pipelines. The state company, Dansk Olie og Naturgas (DONG), is already taking delivery of 55bn cubic meters of gas from DONG under an earlier contract, which runs to 2008.

Attacks keep PNG copper mine closed

By Chris Sherwell in Sydney

PAPUA NEW Guinea's Bougainville Copper mine entered its second week of closure yesterday with no sign of an early re-opening after further violent attacks on mine employees and power supplies.

The escalation of tension on Bougainville island is the result of guerrilla attacks by a militant group of disaffected landowners demanding hefty compensation for the mine, which is operated by the large Australian resources company CRA, an associate of Britain's RTZ group.

The mine was first hit by sabotage last December, resulting in an eight-day stoppage. In March the Port Moresby Government drafted in troops and has since given them wider powers, but it has stopped short of declaring a state of emergency.

Over the past few days:

● An Australian employee of CRA, visiting the mine from Melbourne, was shot on Sunday while standing outside a mine guest house. His condition is stable but serious.

● Eight mine employees, all Papua New Guinea nationals, were injured yesterday morning after four company buses came under fire while transporting them to work.

● A pylon bringing power to the mine was toppled yesterday morning. Early on Sunday morning another pylon was brought down by explosives. The mine's township is now operating on emergency power.

● The company said it would be sending employees home "once conditions allow" while it considered further options to safeguard them. It had previously intended to resume production on Sunday morning.

The mine closure, as before, is of great cost to the central and local governments and to CRA. It follows a decision by employees to walk off the job eight days ago after two grass cutters were wounded in a bow-and-arrow attack.

For Mr Rabbie Namaliu, the Prime Minister, the deterioration in security is an embarrassment. He is due in Australia this week on an official visit which has already been postponed once because of the Bougainville disturbances.

It also represents a setback for his recently-unveiled policy regarding mine development in Papua New Guinea generally.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium	−9,375	to 79,550
Copper	−3,825	to 131,425
Lead	+925	to 35,525
Nickel	+30	to 3,162
Zinc	−3,825	to 27,650
Tin being reassayed		
Silver (oz).	−458,000	to 909,2000

Grain balance 'could move either way'

By Tim Dickson in Brussels

TOTAL WORLD grain production could fall below consumption again this year – but much depends on weather patterns in the major producing areas over the next few months and "the implied balance is so fine that stocks could move either way."

Mr A.W. "Bill" De Maria of the International Wheat Council was being understandably cautious in his concluding comments to the Fifth Grain Market conference organised by Sosland publishing in Brussels last week – but his remarks on the supply/demand outlook for the global grain business outlined many of the variables and unknowns which make even short term forecasting in this area a hazardous game.

Discussing grain exporters, for example, he said that the future level of the set-aside programme in the US would be "of particular importance" and that some uncertainty existed about support measures for cereals there come the closing stages of the multilateral trade talks known as the Uruguay Round.

In the EC, meanwhile, "successive reductions in nominal guaranteed prices, more stringent intervention standards, and voluntary set aside schemes have had little effect on the overall level of grain output," Mr De Maria said. Growers continue to combat lower prices by improving productivity."

Notwithstanding Argentina's serious economic problems the compulsion to export, he said, will remain strong, since grain exports are a major source of income.

Turning to importers, Mr De Maria said that there were two major problems in China:

● Measures to control the rise in population had not been as successful as planned, so that the country's overall grain requirements would exceed earlier forecasts;

● And producers had tended to switch away from grain to more profitable cash crops with the liberalisation of the agricultural economy.

China's frequently-expressed preference for self-sufficiency in food, Mr De Maria suggested, would be "severely tested."

Russian grain production and import requirements, however, represented "the greatest conundrum."

Official recognition had been given to the numerous shortcomings within the Soviet agricultural system – for instance, more attention is being given to the unacceptably high rate of post-harvest losses – but there were also serious deficiencies in the livestock sector which is the "raison d'etre" for the high level of Soviet grain demand.

Demand for improved availability and variety of food continues to grow in the Soviet Union – for this reason and because of the variability of the climate "the USSR is likely to remain a substantial net importer of grains for some years."

Turning to 1989 wheat production he said that the most important factor was the condition of winter wheat in the US, which was mixed. Weather conditions in most other major growing regions in the Northern hemisphere had been favourable to date and production in western Europe should be up on last year – "mainly as a result of an expansion in sowings in the EC."

In comparison with 1988 smaller harvests are expected in Hungary, Brazil, Pakistan and Morocco.

EC decides coffee pact stance

By David Buchan in Brussels

THE EUROPEAN Community will agree to extend the existing international coffee agreement for another year beyond September 30 provided the International Coffee Organisation next month agrees to work towards an end to the so-called two-tier market.

This decision by EC foreign ministers meeting here yesterday reflects strong pressure by the UK, West Germany and the Netherlands in particular for a progressive end to distortions arising from the two-tier coffee market. However, EC ministers admit that the decisive factor may be the unwillingness of the US to renew the coffee accord at all.

Under the present agreement export quotas operate only between members of the agreement. But producers are free to sell what they want to importing countries which are not members of the ICO and which, collectively, account for 15 per cent of world consumption. The result, say UK diplomats, is these non-members can buy up to 50 per cent cheaper than those participating in the commodity agreement.

In addition, they say, this has encouraged coffee production to grow three times as fast as consumption. Another feature of the current quota system is that it is biassed in favour of robusta coffee, and against the arabica variety to which discerning caffeine addicts have been increasingly drawn in recent years.

Cocoa lifted by more I Coast rumours

By David Blackwell

RUMOURS ABOUT the sale of the Ivory Coast's cocoa crop for next year have once again swayed the futures markets in both London and New York.

London opened well ahead yesterday following the strong close on Friday in New York, where rumours surfaced that Philipp Brothers, the big trade house, had struck a deal with the Ivory Coast, the world's biggest cocoa producer, for 600,000 tonnes. The deal was said to involve 150,000 tonnes of current crop and 450,000 tonnes of new crop.

However, Philipp Brothers in New York would make no comment.

The latest rumour appears to contradict a widespread belief in the market that Moutafian Commodities, a London trade house, has a mandate to market the Ivory Coast's crop next year. Moutafian would also make no comment.

The July contract in London closed £15 ahead at £753 a tonne. The decline of sterling helped the rise, as did concern over recent dry weather in West African growing areas.

Mr Tony Chadwick, analyst with Prudential Bache, said the rumour had sparked a lot of shortcovering, and brought in some manufacturing support. But he pointed out that nothing was known for sure, and that even if the rumour was true, there would not be a single cocoa bean less coming onto the world market at a time of huge oversupply.

Both Gill & Duffus, the London trade house, and the International Cocoa Organisation, put the surplus of supply over demand for this year alone at 199,000 tonnes – the fifth successive year of oversupply.

Mr Chadwick also believes that the upward move over the last few days has been a major reaction from the recent sell-off which took prices below £700 a tonne during trading last Wednesday.

In January the Ivory Coast sold 400,000 tonnes of cocoa to Sucre et Denrees, the French trading house, half to be stored and half to be sold on to customers. Analysts believe the move helped to support prices in the short-term; they are currently below the Ivory Coast's production costs.

Last week President Felix Houphouet-Boigny postponed a decision on whether to reduce the price he pays to his growers.

Indonesia weathers tin crisis

John Murray Brown on the world's third biggest producer

IN THE early 1980s, when prices were being supported at artificially high levels, Indonesian tin provided a good living for thousands of people, from employees of the state mining company to illegal salvage operators diving for sunken tin cargoes off the islands of South Sumatra.

Those remunerative prices – the market peaked at just over $11,100 a tonne early in 1985 – were not destined to last, however. The October 1985 collapse of the price-supporting International Tin Council sent the price down to $5,120 a tonne.

The Indonesian industry was better placed than most to cope with the reduction in returns, however, and is similarly well placed to benefit from the market's recent rise above $10,000 a tonne.

Sharply lower prices after the ITC collapse had forced many mining companies in other countries to retrench, with some mines, principally in Bolivia, closing down completely.

But Indonesia's state-owned mining giant PT Tambang Timah was able to defy the trend and make up for lower revenues by expanding its tin operations. Indeed, as mines in Malaysia and elsewhere were priced out of business Timah, which accounts for about 80 per cent of Indonesian output, was able to switch dredgers to high grade deposits to combat the depressed tin market.

From 21,758 tonnes in 1985 Indonesian tin production has increased every year to reach 30,500 tonnes in 1988. According to Mr Ginandjar Kartasasmita, Indonesia's mines and Energy Minister, with new investment mine output could be raised to 37,000 tonnes.

At some high grade offshore deposits Timah is now dredging at a depth of more than 50m. There are also plans to develop the shallower low grade tin, which is attractive at current prices.

According to Mr Kosim Gandataruna, the country's Director General of Mines, the productivity losses working low grade seams can be made up by raising efficiency, increasing the dredger's operating hours and improving tin recovery rates at the concentrate plant.

Indonesia, now the world's third biggest tin producer after Brazil and Malaysia, is currently the only member of the Association of Tin Producing Countries able to meet its export quota under the association's supply rationalisation scheme (Brazil is not an ATPC member).

The state tin mines on Bangka, Belitung and Singkep islands – first established with Chinese labour in the 1800s – provide jobs for some 25,000 people, while as many as 100,000 still depend on the industry for contract work. In 1988 exports of the metal earned $166m in foreign exchange.

Diversification into solder and tinplate manufacture is another part of the strategy. The move not only increases domestic tin use, but also allows Timah to relocate part of its workforce so avoiding the social dislocation suffered by other companies as they shed workers and closed down mining capacity to reduce production costs.

Despite depressed prices Timah reported profits in both 1987 and 1988 – helped by the 1986 devaluation (Timah earns dollar revenues but incurs much of its cost in local rupiah).

The corporation is still considered grossly overmanned but early retirement has reduced costs. Employee benefits were withdrawn – although some are now being reinstated in response to the recent price rise.

Mr Timalu Sujatmiko, the Timah chairman, estimates that production costs, which at one time reached $10,000 a tonne, are now less than $6,500.

In 1987, in the wake of the crash, Indonesia was a major force behind the ATPC's supply rationalistion scheme aimed at reducing the huge overhang of stocks – then the main influence on price. The Association, which groups Indonesia with Malaysia, Thailand, Bolivia, Zaire, Nigeria and Australia, accounts for about 60 per cent of non-communist tin supply. Brazil, now the world's largest producer, and China have also limited output in support of the scheme.

The accord, which is in its third year, commits members to a global export quota of 106,400 tonnes for the year to March 1990. This year Indonesia will export 31,500 tonnes, and could well supplant Malaysia as South East Asia's leading tin producer.

With little extra capacity, however, the industry is worried that current supply constraints may force the price higher. From next October the US Government has congressional approval to release up to 7,000 tonnes from its strategic reserve or GSA stocks. But according to Mr Ridwan Mahmud, Indonesia's delegate to the ATPC, world supplies are so tight that the US could release a further 9,000 tonnes without disturbing the market. According to the ATPC tin metal stocks at the end of March were around 30,000 tonnes, down from a peak of 80,000. But between 7,000 and 10,000 tonnes of the metal is not available because of litigation arising from the ITC collapse.

Indonesian stocks are officially put at 2,500 tonnes of tin metal, with perhaps as much 3,000 tonnes as tin in concentrate.

Indonesian officials say brokers may be buying tin to provide the London Metal Exchange with some liquidity when it relaunches its tin contract on Thursday of next week. Officials also concede that stock levels had been drastically overestimated as producers tried to justify increased quotas. In addition, the recent growth in industrial consumption which reached 175,000 tonnes in 1988, may have been disguised, as high aluminium prices prompted can manufacturers to switch to tinplate.

Can producers account for more than half of world demand; solder takes 25 per cent; and the chemicals industry uses 16 per cent.

The concern for low cost producers like Indonesia is that a further surge in prices could see old mines reopened, which in turn could bring back the problem of over-supply. Moreover a violent price rise would do nothing for consumer confidence and could precipitate further moves by industrial end-users to switch to tin substitutes.

WORLD COMMODITIES PRICES

LONDON MARKETS

THE CONTINUING slide in precious metals values under pressure from the dollar's strength set the tone for the base metals as well yesterday. Gold fell by $4.75 to $360.25 a troy ounce, platinum by $5.75 to $492.75 and silver by 20 cents to 514 cents, zinc, aluminium and nickel all sustained substantial losses on the London Metal Exchange. The only LME metal to gain ground was copper, which is quoted in sterling and therefore tends to move in line with the dollar (other things being equal). But lead, also quoted in sterling, surrendered some of its recent gains, closing £4 down at £408 a tonne. On the coffee market the easing of fears of a possibly supply squeeze was reflected in a £131 fall in the prompt May position to £1,268 a tonne.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.40-4.55v	-.375
Brent Blend	$17.25-7.35q	-.625
W.T.I. (1 pm est)	$20.40-0.45q	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$243-246	-5
Gas Oil	$145-147	-2
Heavy Fuel Oil	$86-87	-3
Naphtha	$173-175	-5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$360.25	-5.50
Silver (per troy oz)♣	514c	-20
Platinum (per troy oz)	$492.75	-5.75
Palladium (per troy oz)	$148.50	-5.0
Aluminium (free market)	$2222.5	-77.5
Copper (US Producer)	122¾-126c	-3
Lead (US Producer)	36.5c	
Nickel (free market)	590c	
Tin (European free market)	£10250	-50
Tin (Kuala Lumpur market)	27.13r	+0.05
Tin (New York)	470.0c	-2.0
Zinc (US Prime Western)	85½c	
Cattle (live weight)†	119.08p	-0.10*
Sheep (dead weight)†	243.59p	-24.7*
Pigs (live weight)†	85.48p	-1.14*
London daily sugar (raw)	$303.4u	-3.2
London daily sugar (white)	$337.0u	+2.0
Tate and Lyle export price	£305.0	+3.0
Barley (English feed)	£104.5w	
Maize (US No. 3 yellow)	£133	
Wheat (US Dark Northern)	£129.75u	
Rubber (spot)♥	58.00p	+0.50
Rubber (Jun)♥	64.00p	+0.50
Rubber (Jul)♥	64.00p	+0.50
Rubber (KL RSS No 1 Jun)	269.0m	-3.0
Coconut oil (Philippines)§	$600x	+5
Palm Oil (Malaysian)§	$425	+5
Copra (Philippines)§	$370	
Soyabeans (US)	£202q	
Cotton "A" index	77.90c	+0.20
Wooltops (64s Super)	615p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Jul. u-Jun/Jul. q-Jun. x-Jun/Sep. w-Aug. z-May/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
May	744	720	750 741
Jul	753	738	764 748
Sep	770	760	780 764
Dec	814	804	822 808
Mar	808	789	815 796
May	808	793	813 799
Jul	818	810	824 810

Turnover:6022 (9458) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 19: 677.80 (665.11): 10 day average for May 22: 654.24 (656.55)

COFFEE £/tonne

	Close	Previous	High/Low
May	1268	1399	1325 1250
Jul	1220	1229	1232 1208
Sep	1184	1170	1196 1179
Nov	1160	1140	1162 1155
Jan	1155	1140	1155 1155
Mar	1155	1135	1160 1140
May	1155	1135	1160 1150

Turnover: 5066 (5322) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 19: Comp. daily 119.12 (118.28). 15 day average 115.46 (115.22)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Aug	281.20	272.40	282.80 269.40
Oct	268.20	270.80	271.40 257.00
Dec	267.40	271.00	267.00
Mar	261.00	261.20	260.40 260.00
May	260.00	260.00	259.00
White	**Close**	**Previous**	**High/Low**
Aug	347.00	352.00	352.00 345.50
Oct	329.00	332.50	332.50 327.50
Dec	320.00	326.00	
Mar	310.50	316.50	315.00 308.00
May	308.00	314.50	314.40 311.50

Turnover: Raw 5443 (2162) lots of 50 tonnes. White 1721 (1324).
Paris- White (FFr per tonne): Aug 2360, Oct 2250, Dec 2200, Mar 2133, May 2130, Aug 2125.

CRUDE OIL $/barrel

	Close	Previous	High/Low
Jul	16.78	17.30	17.10 16.68
Aug	16.45	16.88	16.58 16.35
IPE Index	17.30	17.22	

Turnover: 6650 (5637)

GAS OIL $/tonne

	Close	Previous	High/Low
Jun	140.25	142.75	142.75 139.25
Jul	140.00	140.50	140.75 137.25
Aug	138.25	141.00	141.50 137.50
Sep	138.75	142.00	142.00 138.25
Oct	140.00	144.25	141.00 140.00
Nov	140.75	144.75	143.75 140.75
Dec	142.50	147.00	141.00 141.75
Jan	143.00		143.00

Turnover 8184 (8166)lots of 100 tonnes

TEA

There were 19,791 packages on offer at this weeks auction, including 7,000 in the offshore section, reports the Tea Brokers Association. A good demand prevailed. East Africans were again well supported with best liquoring and coloury medium teas often several pence dearer, others were firm except plain dusts which tended lower Central Africans sold readily and selected brighter lines advanced. Offshore teas met strong competition at generally dearer rates. Quotations: quality 190p nominal (190p) medium 115p (114p) low medium 90p (90p)

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 21,725 tonne
Cash	2160-5	2285-95	2220	2220-5		
3 months	2030-2	2110-5	2135/2030	2073-5	2020-5	34,361 lots
Copper, Grade A (£ per tonne)						Ring turnover 25,250 tonne
Cash	1692-4	1642-3	1694/1678	1675-6		
3 months	1667-8	1637-8	1705/1657	1680-1	1669-80	71,964 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	508-6	528-31		504-6		
3 months	512-4	535-8		516-8		300 lots
Lead (£ per tonne)						Ring turnover 5,950 tonne
Cash	407-9	411-3	410	410-1		
3 months	396-6.5	398-7	400/395	397-7.5	396-6.5	10,412 lots
Nickel ($ per tonne)						Ring turnover 1,175 tonne
Cash	12600-700	12950-3050	12750	12700-50		
3 months	12375-400	12725-50	12800/12350	12450-75	12400-50	7,574 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 7,650 tonne
Cash	1715-20	1780-5	1760	1760-5		
3 months	1625-30	1670-5	1670/1625	1660-7	1625-35	10,958 lots
Zinc ($ per tonne)						Ring turnover 2,025 tonne
Cash	1604-8	1660-70	1665	1655-8		
3 months	1565-6	1610-5	1625/1560	1607-10	1565-8	10,718 lots

POTATOES £/tonne

	Close	Previous	High/Low
Nov	97.5	96.0	98.0 97.0
Feb	110.0	110.0	112.0 110.0
Apr	172.0	174.4	182.0 177.5
May	193.0	189.0	192.1 191.1

Turnover 663 (425) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Jun	152.00	151.00	152.00
Aug	146.00		148.50 146.00
Oct	145.00	146.50	146.50 145.00
Dec	147.50		147.50

Turnover 219 (60)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
May	1695	1700	1700 1685
Jun	1525	1543	1530 1517
Jul	1403	1425	1430 1391
Oct	1501	1515	1505 1490
Jan	1520	1540	1520 1515
Apr	1546	1565	1546 1540
Jul	1395	1405	
BFI	1730	1744	

Turnover 365 (641)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
May	114.80	115.40	115.05 114.80
Jun	105.00	116.00	
Sep	104.95	105.15	104.95
Nov	107.05	107.30	107.10 107.00
Jan	110.15	110.50	
Mar	113.15	113.50	
May	115.45	115.80	
Barley	**Close**	**Previous**	**High/Low**
May	108.25	109.00	108.85 108.35
Sep	102.90	103.00	102.90 102.75
Nov	105.05	105.55	105.85 105.75
Jan	108.75	109.00	
Mar	111.50	111.60	111.50 111.40
May	113.00	113.00	

Turnover: Wheat 75 (74), Barley 72 (158).
Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	111.0	110.5	
Aug	109.5	109.5	
Oct	112.5	112.0	
Nov	114.0	113.5	
Feb	108.5	107.7	107.5
Apr	110.0	109.5	

Turnover 18 (91) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	360-360½	227¾-228¼
Opening	361¾-362¼	228½-227
Morning fix	362.35	227.821
Afternoon fix	359.75	227.258
Day's high	361¾-362¼	
Day's low	359¾-359½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	370-375	234-237
Britannia	370-375	234-237
US Eagle	370-375	234-237
Angel	370-375	234-237
Krugerrand	360-362	227-229
New Sov.	84-85	53-53½
Old Sov.	84-85	53-53½
Noble Plat	488.00-506.45	315.00-320.05
Silver fix	**p/fine oz**	**US cts equiv**
Spot	322.35	508.50
3 months	330.35	520.80
6 months	344.15	533.30
12 months	365.00	557.80

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1900	209	219	18	44
2000	119	156	73	129
2100	42	98	196	254
Copper (Grade A)	**Calls**		**Puts**	
2600	111	130	93	132
2700	67	90	126	189
2800	37	60	227	250

LONDON FOX TRADED OPTIONS

Sugar No. 6	Calls		Puts	
Coffee	Jul	Sep	Jul	Sep
1200	69	75	32	92
1250	35	58		
1300	19	32	72	
Cocoa	Jul	Sep	Jul	Sep
700	57	77	4	5
750	22	43	19	24
800	5	20	52	51

US MARKETS

IN THE METALS, prices fell in all markets as a rally in the U.S. dollar prompted heavy selling, reports Drexel Burnham Lambert. June gold sank to a low of $360.60 while the July silver bottomed at 512c. Strong technical selling broke down support levels in the copper as prices lost 400 basis July. In the softs, sugar futures sank on late day fund and commission house liquidation. Cocoa was higher on carryover buying from Friday's sharp advance. Arbitrage and speculative buying supported the coffee market. All of the grains were much lower as sufficient rainfall in growing regions was noted. The soy complex posted the biggest declines with July soyabeans closing at 693¼ down 27¾ cents. In the livestocks, an expected bearish cold storage report and a premium of futures to cash kept pork bellies lower. Live hogs gained slightly from the seasonal decline in runs. Cattle futures eased in local activity. The energy complex was soft in all months except for June which went off the board. Cotton futures fell from scattered profit-taking.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low
May	363.2	365.7	0 0
Jun	363.5	365.6	364.5 360.6
Jul	365.1	367.1	0 0
Aug	367.3	369.3	367.8 363.5
Oct	370.3	373.7	370.5 367.2
Dec	373.4	376.7	375.0 371.0
Feb	377.4	380.2	375.5 376.0
Apr	381.2	385.4	381.0 379.0
Jun	385.0	388.2	385.0 383.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low
Jul	486.0	500.2	501.0 480.5
Oct	488.3	500.5	500.0 486.0
Jan	490.3	502.5	501.0 487.0
Apr	503.3	505.5	500.0 500.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
May	510.6	522.9	514.0 508.0
Jun	511.4	524.1	0 0
Jul	516.5	528.2	523.0 512.0
Sep	525.4	536.2	532.0 522.0
Dec	537.9	550.1	544.0 532.0
Jan	541.5	555.0	536.0 536.0
Mar	550.4	563.0	557.0 547.5
May	559.7	572.7	565.0 560.0
Jul	567.5	581.8	572.0 568.0
Sep	576.6	591.2	0 0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low
May	111.35	116.00	115.80 110.50
Jun	112.25	116.60	0 0
Jul	112.65	116.80	116.90 112.00
Sep	112.25	116.80	116.60 112.10
Dec	111.25	114.80	113.60 111.20

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low
Jun	20.06	20.50	20.28 20.10
Jul	18.69	18.74	18.70 18.25
Aug	17.87	18.11	18.00 17.57
Sep	17.80	17.78	17.64 17.35
Oct	17.38	17.68	17.47 17.20
Nov	17.25	17.56	17.35 17.18
Dec	17.15	17.22	17.25 17.00
Jan	16.92	17.08	17.00 16.70
Mar	16.75	16.99	16.75 16.75

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000; cents/lbs

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)

May 19	May 18	mnth ago	yr ago
2016.5	2014.3	2021.4	1763.5

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	136.61	136.44	137.98	136.45
Futures	134.57	135.15	139.39	136.68

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low
Jul	693/2	721/0	718/0 691/0
Aug	682/6	711/2	709/0 681/2
Sep	660/0	684/4	685/0 660/0
Nov	651/4	665/2	677/0 650/4
Jan	658/4	684/6	685/0 658/0
Mar	669/4	694/6	690/0 669/4
May	677/0	702/4	698/0 677/0
Jul	684/0	711/0	699/0 684/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low
Jul	22.08	22.59	22.60 22.01
Aug	22.30	23.17	23.15 22.21
Sep	22.52	23.41	23.22 22.41
Oct	22.64	23.57	23.40 22.57
Dec	23.06	23.91	23.81 22.92
Jan	23.17	24.00	23.80 23.15
Mar	23.50	24.35	24.24 23.50
May	23.70	24.42	23.95 23.75

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low
Jul	205.4	213.2	210.0 203.8
Aug	203.7	211.1	208.5 202.3
Sep	201.0	208.9	205.5 199.5
Oct	197.5	203.2	202.0 196.0
Dec	195.5	202.1	197.0 193.5
Jan	195.5	201.5	196.5 193.5
Mar	194.5	200.5	195.5 193.0
May	194.0	199.5	195.0 193.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low
Jul	260/4	271/6	269/4 261/6
Sep	260/4	269/4	264/4 260/0
Dec	249/2	258/4	255/4 251/4
Mar	254/0	263/4	259/4 254/2
May	258/4	266/0	262/4 258/4
Jul	259/4	266/4	263/4 259/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low
Jul	394/2	409/4	399/0 392/0
Sep	401/4	415/0	405/0 400/0
Dec	414/0	428/6	417/4 413/4
Mar	420/0	428/4	422/0 418/4
May	411/0	418/0	412/0 409/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low
Jun	70.42	70.70	70.85 70.32
Aug	66.92	66.95	66.85 66.30
Oct	67.70	68.00	67.90 67.57
Dec	68.40	68.47	68.45 68.15
Feb	70.85	71.10	71.15 70.80
Apr	71.42	71.65	71.70 71.30
Jun	71.20	71.67	71.30 70.95

LIVE HOGS 30,000 lb; cents/lb

	Close	Previous	High/Low
Jun	46.05	45.72	46.10 45.65
Jul	46.12	45.92	46.10 45.82
Aug	47.17	47.12	47.42 46.82
Oct	45.42	45.62	45.57 45.20
Dec	46.52	46.52	46.55 46.17
Feb	46.57	47.00	47.05 46.50
Apr	44.50	44.75	44.75 44.40

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low
May	34.80	36.10	36.00 34.57
Jul	34.85	35.97	36.30 34.77
Aug	34.25	35.45	35.75 34.25
Feb	53.20	53.35	53.75 51.95
Mar	51.80	53.00	53.00 51.95
May	53.45	54.50	
Jul	51.50	53.00	0 51.50

Interest rate fears topple equities

A LONDON equity market inclined to take profits after its recent rise was hit heavily yesterday by a sudden combination of bearish developments which reignited fears that domestic and international interest rates might yet be forced higher. UK equity market capitalisation fell by £7.2bn in the largest daily setback since mid-March as sterling fell heavily and London money market rates once again moved above 13 per cent.

The fall in sterling caused uneasiness ahead of Thursday's announcement of the UK trade figures for April. Most City forecasts are for a little changed monthly deficit of

Account Dealing Dates

*First Dealings:	May 8	May 22	Jun 5
Option Declarations:	May 18	Jun 1	Jun 15
Last Dealings:	May 19	Jun 2	Jun 16
Account Day:	May 30	Jun 12	Jun 26

*New time dealings may take place from 9.00 am two business days earlier.

around £1.7bn. However, yesterday's mood of nervousness saw some analysts moving forecasts towards a deficit in the £2bn area.

The setback in equities was all the more severe because the market tried to open firmly, with the Footsie Index five points up at a new post-Crash trading peak in early deals. However, County NatWest and James Capel, respectively marketmakers and agency brokers in the London market, were advising clients to take profits, and a falling pound soon took its toll. The dollar-earning stocks at first continued to benefit from the renewed surge in the US currency, but were finally overwhelmed by the bearish direction of the rest of the equity sector.

At its worst moment, the market was more than 41 FT-SE points down as unfounded stories circulated of emergency meetings of central bankers and impending hikes in international interest rates.

Additional uncertainty was caused by the overnight fall in the Hong Kong stock market, which implied losses for some of the international funds active in London.

Turnover in the London market was substantial, although Seaq volume declined to 614.4m shares from Friday's 656.8m. Selling was led by market professionals rather than retail investors, and was concentrated in the stock futures market. Friday's closing premiums on the FT-SE futures contracts were savagely trimmed, and some contracts traded at a discount during the session.

The final reading on the FT-SE Index showed a fall of 35.7 points to 2,169, representing a loss of the greater part of the gains chalked up over the final two trading days of last week. Yesterday was the first day of the new equity trading Account which had been greeted enthusiastically on Friday afternoon with a burst of somewhat speculative demand.

The market was scattered with special features yesterday, but these were largely swept away in the general excitement. Allied-Lyons, one of the market's more sensitive shares, gave ground after a substantial portion of Bond Corporation's stake was successfully placed with institutions.

FINANCIAL TIMES STOCK INDICES

	May 22	May 19	May 18	May 17	May 16	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	86.42	86.70	86.70	86.60	86.74	90.20	88.29 (9/2)	85.84 (13/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.30	97.31	97.03	97.34	97.35	96.39	99.60 (15/3)	95.93 (4/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1803.6	1837.5	1810.1	1792.2	1778.2	1407.5	1837.5 (19/5)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	165.3	166.8	178.0	179.4	176.3	211.2	196.1 (29/3)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.37	4.29	4.37	4.41	4.46	4.66				
Earning Yld %(full)	10.63	10.44	10.63	10.74	10.84	12.09				
P/E Ratio(Net)(*)	11.55	11.85	11.36	11.23	11.13	10.13				
SEAQ Bargains(5pm)	34,610	40,470	32,161	28,658	27,649	19,665				
Equity Turnover(£m)†	-	2163.12	1551.76	1342.01	1054.20	736.79				
Equity Bargains†	-	47,419	35,333	31,345	31,935	23,065				
Shares Traded (ml)†	-	846.5	631.2	479.1	394.7	317.7				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1840.7	1819.3	1812.2	1809.2	1811.7	1811.4	1810.2	1809.9

DAY'S HIGH 1840.7 DAY'S LOW 1797.6

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil=11.25 †Excluding intra-market business.

S.E. ACTIVITY

Indices	May 19	May 18
Gilt Edged Bargains	104.1	102.5
Equity Bargains	307.3	223.9
Equity Value	4376.3	3136.5
5-Day average		
Gilt Edged Bargains	108.1	104.6
Equity Bargains	231.3	208.8
Equity Value	2974.5	2600.5

London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	[illegible]	[illegible]	[illegible]
Allied-Lyons	[illegible]	[illegible]	[illegible]
Amstrad	[illegible]	[illegible]	[illegible]
Argyll Group	[illegible]	[illegible]	[illegible]
Ass. Brit. Foods	[illegible]	[illegible]	[illegible]
BAA	[illegible]	[illegible]	[illegible]
BAT Inds.	[illegible]	[illegible]	[illegible]
BET	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]
BOC	[illegible]	[illegible]	[illegible]
BPB Inds.	[illegible]	[illegible]	[illegible]
BTR	[illegible]	[illegible]	[illegible]
Barclays	[illegible]	[illegible]	[illegible]
Bass	[illegible]	[illegible]	[illegible]
Beecham	[illegible]	[illegible]	[illegible]
Blue Circle	[illegible]	[illegible]	[illegible]
Boots	[illegible]	[illegible]	[illegible]
Brit. & Comm.	[illegible]	[illegible]	[illegible]
Brit. Aerospace	2,300	[illegible]	[illegible]
British Airways	4,000	196	-2
British Gas	7,600	181	-2½
British Land	1,200	367	-2
BP	3,900	286	+1
British Steel	17,000	96¾	-2
British Telecom	11,000	273	-3
Burmah Oil	699	685	-12
Burton	6,400	234	-5
Cable & Wireless	9,950	545	-33
Cadbury Schweppes	3,000	346	-10
Carlton Comms.	357	855	-6
Commercial Union	782	381½	-3½
Cons. Gold Fields	476	1228	-25
Guinness	3,200	486	-6
Hammerson 'A'	85	795	-7
Hanson	12,000	199¾	-1
Harrisons & Cros.	2,700	181	-1
Hawker Siddeley	519	724	-15
Hillsdown Hldgs.	1,800	280	-4½
IMI	383	237	-2½
Imp. Chem.	2,100	1273	+3
Inchcape	1,400	281	-7
Jaguar	2,700	339	-5
Kingfisher	424	307	-12
Ladbroke	2,600	599	-19
Land Securities	446	592	-11
Polly Peck Intl.	777	381	-5
Prudential	3,000	183	-3½
RMC	5,400	468	+10
[illegible]	649	708	-32
RTZ	1,600	521	-9
Racal	6,900	497	-28
Rank Org.	370	984	-2
Reckitt & Colman	231	1187	-22
Redland	1,800	614	-16
Reed International	1,250	399	-4
Reuters	2,100	805	-16
Rolls Royce	5,900	197¼	-3½
Rothmans	348	525½	-12½
Tesco	2,200	181	-3½
Thorn EMI	957	712	-20
Trafalgar House	1,500	383	-5
Trusthouse Forte	1,300	322	-11
Ultramar	640	325	-5¼
Unilever	1,300	554	-9
United Biscuits	3,100	346	-14
Utd. Newspapers	766	441	+4
Wellcome	1,100	456	-6
Whitbread 'A'	1,300	396	-18
Williams Hldgs.	2,500	267	-18
Wolseley	2,100	385	-20

Far East tremors at C & W

Developments in Peking triggered a wholesale slide on the Hong Kong market and caused a sharp reversal in shares of Cable & Wireless (C & W), one of the stocks perceived to have the widest profits exposure to the Far East. C & W, one of the market's best performers last week, slumped to 538p at worst yesterday but later rallied to close a net 33 lower at 545p after turnover of 10m.

Mr Patrick Wellington, electronics analyst at County NatWest, the securities house, said that some 70 to 80 per cent of C & W's pre-tax profits for the year 1988-9 would come from Hong Kong. That figure would decrease to around 70 per cent in 1989-90 as C & W subsidiary Mercury moves into profits, said Mr Wellington.

The County analyst described events in China and, more importantly for C & W, in Hong Kong over the weekend as "very worrying; even if it doesn't knock down the concept that US investors will be greatly attracted to the shares as a similar company to Racal, they may well be frightened off by the Far Eastern profits connection."

C & W's strong gains over recent weeks have come in the wake of market hopes of further sales of Hong Kong Telecom shares where the C & W stake is 78 per cent.

Allied stake

In spite of the large fall in Allied-Lyons, Mr Alan Bond's decision to place a substantial part of his 9.7 per cent stake in the UK brewer was greeted with relief by the market. The 33m shares (4.4 per cent of the company), sold at 445p (including the dividend) by broker Smith New Court in no more than 20 minutes, were said to have been spread between a number of institutions and at the close the Allied price was down 27 at 446p on turnover of 68m.

Dealers said the stake had been placed with relative ease because the shares, which have underperformed the market by 20 per cent this year, were clearly undervalued. The bid premium had disappeared from the price along with hopes that Mr Bond would make an offer for Allied; following yesterday's sale, analysts predict the shares will rally strongly. "If it hadn't been for the Bond stake Allied would have been over 500p," said Mr Ron Littleboy of Nomura Research.

Although the Australian entrepreneur's remaining holding in Allied is tied up in convertible bonds, he could call those in by offering a 20 per cent premium to holders. This would leave a sizeable stake that could still end up in potentially predatory hands, which is why analysts suggested a bid premium could return to the price.

Chartered unsettled

Standard Chartered's long-standing association with the Far East, and in particular with Hong Kong, was responsible for the substantial decline in its share price, which fell away to close a net 14 off at 534p. Turnover, however, was never more than lively and finally settled at 1.1m shares.

Mr Ian Shelley, banks analyst at WI Carr, said Standard's exposure to Hong Kong was significant. "The group has 130 offices there and Hong Kong provides around half of the Far Eastern profits of the group."

The last accounts show that the Asia/Pacific region provided some £90m of Standard's £313m pre-tax profit, indicating that Hong Kong earned Standard some £45m pre-tax. On the same basis, Hong Kong is thought to account for some £4.5bn-worth of Standard's assets of £24bn.

The WI Carr analyst added: "On balance we are taking an optimistic view of events, seeing as they (Standard) are in the firing line, perhaps they ought to have a Hong Kong-type rating."

The new advance in the US dollar threw the spotlight once again on Glaxo, which takes the exchange rate on June 30, its year-end, as its base for the year's dollar earnings. The prospects for this year's dollar rate inspired James Capel, London's leading agency broker, to upgrade from £955m to £1bn its forecast for this year's pre-tax profit total.

"Unless there were to be an absolutely traumatic reversal in the dollar between now and the end of the month, we regard out forecast as certain," said Mr Robin Gilbert of Capel. The shares gained 6 to 1443p yesterday, but turnover was not exciting.

Two of the only five FT-SE 100 stocks to end the day firmer came from the Foods sector. Retailer Gateway added 6 at 200p after bidder Isosceles announced that it had received acceptances at the first closing date in respect of 4.9 per cent of Gateway's shares. The market is now expecting Isosceles to raise its bid before the next closing date, due on June 2. A new offer price of around 210p-a-share, compared with the present 195p, is the prediction of most observers. Dealers said the early sighting of a large buyer of 1m shares around the 198p level started the ball rolling, and by the close a busy 11m shares had changed hands.

The other strong performance came from Ranks Hovis McDougall, which closed 10 better at 460p on turnover of 5.4m shares after announcing that it was withdrawing its £1.4bn takeover bid for Australian group Goodman Fielder Wattie. There is a growing belief in the market that Sunningdale, the vehicle of Sir James Goldsmith, Mr Jacob Rothschild and Mr Kerry Packer, will launch a full bid for the foods group within a few months. Last week Sunningdale acquired 29.9 per cent of RHM from Goodman Fielder.

Associated British Foods pleased the market with a 13 per cent rise in full year profits to £237m, and the shares closed only a shade easier at 353p. Ashley Group also held steady, at 68p, after an egm approved its acquisition of two distribution companies.

Oil shares tended to lose ground but outperformed the rest of the market. Ultramar slipped 5¼ to 325p despite renewed good support for the shares; the oil team at Kitcat & Aitken continues to rate the stock a buy, emphasising that over the next five years the company's growth should approximate to "twice the market average; the rating has yet to do justice to this prospect, much less the strong new management and bid potential."

Dollar earning stocks, benefiting from another strong performance by the US currency, provided what few firm features there were in the London equity sector. However, only a handful held their gains until the close of business.

The best feature was ICI which benefits from firmness against the pound in both the US dollar and the DM. Pricing of the £1bn or so sales to Europe by ICI is largely DM based. Moreover, a strong dollar benefits ICI's pharmaceutical and agro chemical businesses, which are seen as the high quality end of the group's earnings. Turnover was not heavy, but ICI shares gave back much of the early gain to close only 3 higher at 1273p.

BAT Industries, due to report quarterly results tomorrow, shed 2 to 563p as investors calculated the outlook for conversion of the group's dollar earnings, which now take in the insurance interests in California. After touching 824p early in the session, Reuters ended 16 easier at 805p on sluggish turnover of 1.4m. Unilever, down 9 at 554p, returned turnover below 1m shares.

A weak feature was Fisons, 7 off at 309p as the City waited for the board to comment on current trading when it faces the annual meeting of shareholders today. Fisons' shares are still victims of a two way pull in the stock market, with many analysts, led by Mr Steve Plag and Mr Jonathon de Pass of BZW, doubtful of the outlook.

Midland Bank were indirectly involved in the China/Hong Kong saga with speculators moving in to buy Midand shares, against the wider market trend, on the basis that developments in Hong Kong could persuade Hongkong & Shanghai Bank to forge even closer links with Midland Bank, where it already has a 14.9 per cent stake. Midland shares drew sufficent buying interest to close a net 4 higher at 349p with turnover coming out around 3m.

Brewery stocks were marked sharply down, with Bass (down 23 at 965p), and Whitbread (the "A" down 18 at 346p) taking a particular beating after last week's strong performances. The largest of the regional brewers, Greenall Whitley, were unlucky to choose such a day to report that half-yearly profits had risen 14.5 per cent to £19.5m. The group's shares failed to buck the trend, and closed 8 easier at 300p.

Grand Metropolitan put in a sterling performance, rising at one stage to 567p, before falling back to end the day only 4 lighter at 558p on turnover of 3.2m shares. The stock's resilience was a result of two important presentations in London; one hosted by securities house Nomura for Japanese institutions, the other by the company itself for leading UK institutions. GrandMet told its audiences that the group should achieve its long-term earnings growth target of 15 per cent per annum this year.

Ladbroke, keenly sought during the last account, came back to earth with a bump; the shares dropped 28½ to 599p on turnover of 2.7m. "Once last week's Japanese buyer failed to appear the shares took a real pasting," remarked one trader.

Vibroplant, the plant-hire group, were outstanding, and jumped 10 to 257p ahead of today's preliminary figures.

Anglia Secure Homes remained under the selling pressure evident since the profits warning issued by fellow sheltered homes builder McCarthy & Stone. The former closed a further 25 off at 387p, while the latter lost 6 to 225p.

A rash of dividends saw the Stores sector turn down sharply after last week's impressive gains. The notable exception was the performance of Burton, which rallied from a day's low of 229p to close just 5 weaker at 234p on turnover of 6.4m shares amid good two-way trade and strong buying. The recovery came after the Department of Trade and Industry announced that it was taking no action following the completion of its enquiries into a number of the group's acquisitions and disposals.

Among the leading ex-dividend fallers was Kingfisher, down 19 at 307p amid further concern that it might make an acquisition soon (possibly for Dixons, which helped explain why the latter closed virtually untouched at 139p).

The electronics arena continued to attract substantial activity. GEC were outstanding and settled only 2 off at 248p, on turnover of 11m. Dealers and analysts said there had been heavy buying late on Friday and first thing yesterday when the GEC share momentarily moved above the 250p mark. That level, according to sector specialists, represented a major chart break-through for GEC.

Mr Brian Newman at Henderson Crosthwaite said "GEC shares have made two attempts to break out from 250p and we think they look set for a major move ahead of the preliminary figures due at the end of June." The Henderson analyst expects GEC to make some £770m, compared with last time's £708m and pointed to the encouraging GPT figures announced by Plessey yesterday. "Sentiment is moving in favour of GEC with its stability of earnings, conservative accounting and strong dividend growth," said Mr Newman.

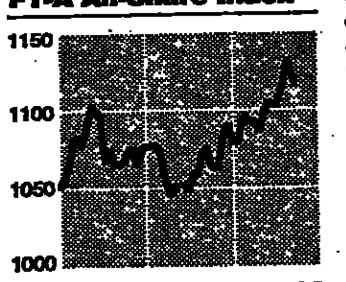
Plessey's preliminary figures were described as unexciting by analysts and the market; the shares closed a penny off at 265p on turnover that barely topped the ½m mark.

Racal Electronic dropped 28 to 497p amid widespread profit-taking; turnover here approached the 10m. Racal Telecom eased 8 to 459p. STC, another of last week's strong performers, ran back 17 to 362p on 3m.

Confirmation that Vickers was selling its lithographic subsidiary Howson-Algraphy for £245m helped the engineering group's shares close a touch firmer at 214½p.

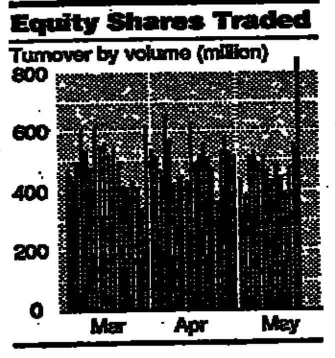
■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 30

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (214). LOANS (1) AMERICANS (83) CANADIANS (19) BANKS (2) BREWERS (3) BUILDINGS (19) CHEMICALS (6) STORES (6) Bentalls, Bolton Grp., Moffett, Stead. & Sim "A", Time Prods., Ward White.

ELECTRICALS (20) ENGINEERING (15) FOODS (14) HOTELS (2) INDUSTRIALS (59) Alex. W'kwear., Alfa-Laval AB "B", Astra AB, Avis Europe, B.H. Props., BBA Grp., BTR, Do. Wrrnts., Bardon, Barry Wehmiller, Baxter Int'l. Inc., Beecham, Boots, Brit. Airways, Brit. Steel, Business Tech., Christies Int'l., Computer People, Cooper (A.), Dover Corp., Dyson (J. & J.), Electrolux, Expamet Int'l., Fitzwilton, Fuel Tech., Glaxo, Grampian, Green (E.) & Part., Hay (N.), Hornby, Hunting Assoc., Huntingdon Int'l., Huntleigh Tech., Johnston Grp., Laidlaw Thomson, Nu-Swift, Parkfield, RCO, Rank Org., Reuters, Rock, Schlumberger, Securicor Grp "A" N/V, Security Servs., Siebe, T & N, Tamaris, Tech Project Serv., WSP, Wyko, INSURANCE (10) LEISURE (4) MOTORS (2) Dowty, Western Motor, NEWSPAPERS (2) PAPERS (7) PROPERTY (7) SHIPPING (2) TRUSTS (38) OILS (8) OVERSEAS TRADERS (3) PLANTATIONS (3) MINES (3) THIRD MARKET (6).

NEW LOWS (77). CANADIANS (8) BUILDINGS (3) STORES (9) ELECTRICALS (14) ENGINEERING (2) Airship Inds., Whessoe, FOODS (1) Northumbrian Foods, INDUSTRIALS (6) Aaronson Bros., Coated Electrodes, Kleen-E-Ze, MY Hldgs., Mainmet, Relyon, Third Mile Inv., Vinten, Willis Grp., LEISURE (2) MOTORS (1) PAPERS (4) PROPERTY (2) SOUTH AFRICANS (1) TEXTILES (3) TRUSTS (8) MINES (6).

APPOINTMENTS

County NatWest posts

■ Mr David Shaw has been appointed managing director of COUNTY NATWEST VENTURES and an executive director of County NatWest. He joins on May 29 from 3i where he is a director. COUNTY NATWEST has made Mr Ron Demeza the director responsible for developing the distribution and trading of Japanese equity products in the UK, Europe, and the US. He was a vice president with Salomon Brothers. Mr Martyn Sloman has been appointed head of training and development at County NatWest from May 30.

■ The following have been promoted from assistant directors to directors of HAMBROS BANK: Mr M.H.L.X. Aubry, Mr J.J. Caiger, Mr J.F. Cook, Mr J.D. Klein, Miss S.R. Mitchell, Mr M.S. Smethurst and Mr L.Tiller.

■ Mr Faisal ben Khadra has joined the board of COAST HOLDINGS as executive vice chairman and Mr David Walton Masters has joined the board of Coast Securities as executive chairman. Both companies are subsidiaries of Coast Holdings International.

■ Mr Martyn Webster, group finance controller at Laporte Industries, is to become group finance director at SOUTHERN WATER on July 1.

■ At W. CANNING Sir Peter Gadsden has been appointed to the board. He is a former Lord Mayor of London. Mr F.J. Essex has retired as a non-executive director.

■ Mr Ian Firth, chairman of a family tools and ironmongery business in Yorkshire, has been elected president of the BRITISH HARDWARE FEDERATION.

■ Mr Richard Badman has joined the London office of GULF INTERNATIONAL BANK as a vice president in UK marketing. Mr Badman was previously with Manufacturers Hanover in London.

■ Mr Philip Amphlett has been appointed manager of the London branch of BANK JULIUS BAER in succession to Mr Roger Young who has left the group.

■ Mr Peter Lehmann has been appointed controller, new business, in the resources and new business division, a newly-created post, at BRITISH GAS headquarters in London.

■ Ms Sonia Land has been appointed chief executive of COLLINS PUBLISHERS. She was group finance director of Wm. Collins and then left to join a venture capital company before joining News International in 1988. She was seconded to Collins in January 1989 as acting chief executive for the publishing group.

■ Mr John Robert Lodge has been elected president of the NATIONAL ASSOCIATION OF FUNERAL DIRECTORS. He is a director of Lodge Bros (Funerals).

■ Mr Brian Wakefield has been appointed a director of SMITH KEEN CUTLER, the Birmingham-based stockbroking subsidiary of Midland Group. He was previously Midland's corporate banking director, West Midlands.

■ TARMAC CONSTRUCTION's management division has appointed a new managing director for one of its companies – Schal International. Mr Michael Walsh will take over as managing director on July 1 – a post previously held by the head of Tarmac Construction's management division, Mr Steve Riding. Mr Riding will continue to chair the board of management with Schal International.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	53 87	54 40	57 86	-1 56	4 73
Gilts & Fixed Int	6	112 0	112 0	118 9	-0 2	8 41
High Inc Equity	6	135 1	137 9	146 7	+0 1	4 73
Worldwide Bond	6	195 8	195 8	207 4	+3.9	4 68
Capital Growth						
American Growth	6	184 1	186 1	198 0	+4 9	1 25
Asian Pacific	6	100 8	102 8	109 4	-1.3	0 64
Assets & Earnings	6	162 8	162 8	174 2	+0 7	1 49
Capital Reserve Acc	0	84 88	84 88	85 05	-0 08	4 70
Commdty & Energy	6	100 6	100 6	107 6	+0 9	0 98
1992 Enterprise	6	58 45	59 58	63 39	-0 34	2 84
European Capital	6	82 15	82 15	87 87	-0 52	0 85
General	6	180 0	180 0	192 6	+0 6	2 34
Japan	6	110 1	111 7	118 9	+0.7	0 00
Mastertrust	6	85 87	85 87	91 84	+0 66	1 56
UK Growth Acc	6	205 3	205 3	219 6	+0 5	2 02
UK Growth Dist	6	136 9	136 9	146 5	+0 4	1 54
US Emerging Cos	6	54 96	56 58	60 20	-1 61	0.00
Income & Growth	6	298 0	298 0	318 8	-0 3	3 22
Ethical	6	49 95	51 11	54 38	-0 14	2.30

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5	30 95	30 95xd	32 03	-0 86	3 49
European	5¼	60 47	60 57	64 66	-0 35	0 00

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green W12 8SD

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK General Tst	5½	55 44	56.37	60 29	[illegible]	[illegible]
Global Tst	5½	43 45	43 96	47 02	[illegible]	[illegible]
Recovery Tst	5½	53.75	55.98	59 55	[illegible]	[illegible]

CIBC Unit Tst Managers plc (1200)H
Cottons Ctr Cottons Lane Ldn. SE1 2QL

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Fd Acc	5	109 3	110 7xd	116 8	[illegible]	[illegible]

CS Fund Managers Limited (1000)H
125 High Holborn, London WC1V 6PY

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CS America	5	60 21	60 21	64 05	[illegible]	[illegible]
CS International	5	55 45	55 45xd	58 98	[illegible]	[illegible]
CS Japan	5	123 5	123 5	131.3	[illegible]	[illegible]
CS Portfolio Inv ♦	5	72.49	72.49xd	77.11	[illegible]	[illegible]

Canada Life Unit Tst Mgrs Ltd (1200)
2-6 High St Potters Bar, Herts

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Can Gen Dist	5	142.5	147.6	156 4	[illegible]	[illegible]
Do Gen Accum	5	237 7	246.2	259 2	[illegible]	[illegible]
Do Income Dist	5	95 26	99.14xd	104 4	[illegible]	[illegible]
Do Inc Accum	5	218.2	227 1	239 1	[illegible]	[illegible]
Gilt & Fxd Int	5	36 53	36 60	38.53	[illegible]	[illegible]

Cannon Fund Managers Ltd (0700)H
1 Olympic Way, Wembley, HA9 0NB
01-902 8876. Dealing: 0800 [illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth	5¾	39.67	39 67	42 42	[illegible]	[illegible]
Income	5¾	49 56	49 56	53 00	[illegible]	[illegible]
Far East ♦	5¾	37 34	37 83xd	40 46	[illegible]	[illegible]
North American ♦	5¾	39 29	35 85xd	38.14	[illegible]	[illegible]
Global ♦	5¾	51 94	52.91	56 29	[illegible]	[illegible]
European	5¾	49 69	50 41	53 63	[illegible]	[illegible]
Japan ♦	5¾	105.4	106.8	114 2	[illegible]	[illegible]
Intl Currency Bd	5¾	41 91	41 91xd	44.50	[illegible]	[illegible]

Merlin Jupiter Unit Tst Mgmt Ltd (0905)F
197 Knightsbridge, London SW7 1RB 01-581 3020

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Merlin Intl	5	58.48	59.86	63.01	+0.69	1.87
Ecology	5	59.69	61.26	64.48	+1.09	1.75

Metropolitan Unit Trust Mngrs Ltd (1000)F
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Eurogrowth Plus	6	55.87	55.87xd	59.44	+0 43	0.80
Global Growth	5¼	44 54	44.54xd	47.38	+0 22	0.53
Global Income Acc	5¼	56.57	56.57	60 18	+0.48	3.32
Do Income	5¼	53 47	53.47	56.88	+0.44	3.52
Service Accum	6	58 22	59.56	63.36	-0.88	0.00
UK Growth Acc	5¼	57.75	57 75	61 44	+0.3	1.63
UK Income Acc	5¼	70.54	72.62	77.25	+0.08	3.88
Do Income	5¼	66.41	68.36	72.72	+0.06	4.13

Midland Unit Trusts Ltd (1200)F
192 Eyre Street, Sheffield, S1 3RD 0742 529888

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
British Tst	6	57.54	57.83	61.89	-0.39	2.25
(Accum Units)	6	58.48	58 77	62.86	-0.39	2 25
Capital	6	122.6	122.7	131.2	-0.5	1.90
(Accum Units)	6	175 6	175 7	187 9	-0.7	1.90
European Growth	6	117 9	118 0xd	125.6	+1.0	0.39
(Accum Units)	6	145.2	145.2	154 6	+1.2	0.39
Extra High Inc	6	71.69	72.72xd	77.78	-0.41	6.29
(Accum Units)	6	96 79	98.18	105.0	-0.5	6.29
Gilt & Fxd Int	4	51 63	51.66	53 95	-0.17	8.63
(Accum Units)	4	101.0	101.0	105.5	-0 4	8.63
High Yield	6	208.5	211.2xd	225.9	-1.1	4.85
(Accum Units)	6	401.7	407 0	435.3	-2.1	4.85
Income	6	245.3	247.9	265.1	+1.5	3.42
(Accum Units)	6	436 1	440.8	471.4	+2.7	3.42
Intl High St UT	6	55.42	55.43xd	59.28	+0.08	1.60
(Accum Units)	6	57.13	57.14	61.11	+0.08	1.60
Japan Growth	6	384.1	384.1	411.0	+2.2	0.00
(Accum Units)	6	403.7	403.8	432.0	+2.4	0 00
Mandarin Tst	6	58.05	58 07xd	62.11	-1 03	0.75
(Accum Units)	6	58.52	58.54	62.61	-1.05	0.75
Mngd P'folio Acc	6	70.21	70.87	75 80	+0.19	1.63
Money Market UT	4	48 94	48.95xd	50.89	+0.02	10.84
North American	6	123 0	124.7xd	133.4	+4.3	0.40
(Accum Units)	6	151 9	154.0	164 7	+5.3	0.40
Smaller Cos	6	185 9	186.0	198.9	-0.2	1.29
(Accum Units)	6	206.1	206.2	220.5	-0.2	1.29
Meridian Income	6	109.9	110.7	118.4	-0.2	3.63
(Accum Units)	6	112.7	113.5	121.4	-0.3	3.63
Meridian Growth	6	118.5	119 1	127.4	-0.4	1.48
Midland Personal Pension Unit Trust*						
British	6	58 08	58.69	62.44	-0.38	2.25
European Growth	6	53.81	53.88	57.32	+0.45	0.39
Gilt & Fixed	6	49 47	49.52	52.68	-0.18	8.61
Income	6	54.77	55.64	59.19	-0.27	3.48

Pembroke Administration Ltd (1700)F
18-19 Sandland St, London WC1R 4PZ 01-430 0556

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Pembroke Accum	5	79.88	81.42	86.30	.....	0.00

Perpetual Unit Tst Mngmt (1200)F
48 Hart Street, Henley on Thames 0491 576868

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
International Gwth	5¼	330.34	330.34	353.31	+2.74	1.44
Income	5	245.43	245.43xd	262.50	-1.14	4.03
W'wide Recovery	5¼	191.47	191.47	204.79	+2.19	1.65
American Growth	5¼	87.87	87.87	93.98	+2.91	1.35
Intl Emerging Cos	5¼	87.35	87.35	93.43	+0.69	0.92
Far East Gwth	5¼	122.24	122.24	130.74	-2.39	2.00
European Gwth	5¼	69.83	69.83	74.69	+0.14	1.10
UK Growth	5¼	46.70	46.70	49.95	-0.13	2.66
High Income	5¼	57.19	57.19	61.17	+0.18	5.85
Japanese Gwth	5¼	109.66	109.66	117.13	+0.81	0.01

Phillips & Drew Unit Managers Ltd
14 Finsbury Square, London EC2A 1PD 01-628 6070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Charities Fxd Int		99.35	99.35	99.48	----	8.8
Charities Ind Lkd		99.88	99.88	100.09	----	2.3
UK Exempt		105.0	105.0	106.5	+1.5	3.8
Charities Intl		102.8	102.8	103.9	----	3.4

Prolific Unit Tst Mngs Ltd (1200)H
222 Bishopsgate, London EC2 01-247 7544/7

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Income	5	63 70	65.11	69.35	+1.92	3.73
Conv & Gilt	5	127 1	127.1xd	135.6	+0.9	5.97
Euro Gwth & Inc	5	47 87	48.81	52.21	+0.96	1.91
Extra Income	5	140.3	141.6	151.0	-0.1	4.47
Far East	5	261.0	264.2	280.8	-4.5	0.01
High Income	5	90 98	91.55xd	97.61	-0.04	4.17
International	5	143.8	148.8	158.4	+1.1	0.66
Nth American	5	149.8	153.1	163 8	+4.7	0.01
Pref & Fxd Int	5	47.15	47.15xd	50.25	+0.18	8.40
Special Sits	5	112.0	112.6	119.7	+0 6	0.56
Technology	5	140.5	144.5	154.3	+2.2	0.55

Providence Capital Fd Mgrs Ltd (1000)H
30 Uxbridge Road, London W12 8PG 01-749 9111

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Worldwide Inc	5	96.57	96.57	103.10	+0.5	0.69
Worldwide Acc	5	100 70	100.70	107.40	+0.5	0.69
UK Equity Inc	5	77.35	77.35	83.47	+0.16	3.27
UK Equity Acc	5	83.99	83.99	90 63	+0.18	3.27
European Inc	5	105.60	105.60xd	112.90	+1.0	0.53
European Acc	5	109.30	109.30xd	116.90	+1.0	0.53
Nth American Inc	5	65.54	65.54	68.59	+2.1	0.84
Nth American Acc	5	66.92	66 92	71.12	+2.17	0.84
Japan Inc	5	115 70	115.70xd	123 80	+1.3	0.00
Japan Acc	5	116.00	116.00xd	124 10	+1.3	0.00
UK High Inc Eq Inc	5	72.77	72.77	78.58	-0.26	5.73
UK High Inc Eq Acc	5	80.83	80.83	87.29	-0.28	5.73
Hong Kong Inc	5	47.37	47.37	50.52	-4.46	2.31
Hong Kong Acc	5	49.02	49.02	52.28	-4.68	2.31
Swiss Equities Inc	5	32.22	32.22xd	34.55	+0.08	1.51
Swiss Equities Acc	5	32.50	32.50xd	34 86	+0.09	1.51
W'wide Bond Inc	5	51 09	51.09	53.96	+0.19	5.99
W'wide Bond Acc	5	52.75	52.75	55.71	+0.19	5.99
Emerging Asia Inc	5	79.75	79.75	85.40	+1.77	0.00
Emerging Asia Acc	5	79.75	79.75	85.40	+1.77	0.00

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ● - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ◆ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD						01-405 8331
Contbl & Equity	5	62.93	65.72xd	69.90	-0.35	6.87
European	5	63.62	63.97	68.04	+0.21	0.09
Far Eastern	5	61.60	61.84	65.78	-0.98	0.76
Growth Inc	5	90.38	93.88	99.87	+0.23	1.36
Growth Acc	5	90.38	93.88	99.87	+0.23	1.36
Income Inc	5	84.77	86.46	91.97	-0.32	5.31
Income Acc	5	84.77	86.46	91.97	-0.32	5.31
Property Share	5	55.81	55.81	59.47	-0.08	0.99
Smaller Co's	5	59.01	62.34xd	66.32	+0.21	1.46
Formerly KBC Trust Managers Ltd						
Nth American	5	59.95	59.95	64.12	+0.31	1.67
International	5	46.97	46.97	50.22	+0.68	1.43
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY						01-588 0592
Growth	5	103.33	103.33	108.33		3.92
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield						0484 602250
Yorkshire General	5¼	64.98	67.44	71.75	+0.39	2.41
YUTM Hi Yield Inc Tst	5¼	61.15	63.26	67.30	-0.13	4.54
YUTM Jap Cash Tst	5¼	49.73	49.73xd	53.09	-0.19	1.03

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gr's
Baillie Gifford & Co Ltd				
Int'l Exmt May 17	480.6	498.6		-
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ				01-588 1815
Inv Fund Apr 30	507.65			4.67
Fxd Int Sec Apr 30	141.15			10.15
Deposit Apr 30	100.00			12.45
Charities Official Invest. Fund				
2 Fore Street, London EC2Y 5AQ				01-588 1815
Income Apr 30	480.64			4.97
Accum Apr 30	1579.44			-
Edinburgh Fund Mngrs PLC				
Exempt Funds				
American May 17	137.8	141.6	+6.1	1.40
Managed May 17	131.9	136.8	+0.1	2.10
Japan May 18	140.6	144.5	-1.0	0.14
Pacific May 19	487.5	500.9	+13.4	0.20
Sm Jap Cos May 19	264.6	272.9	-1.7	0.10
Fidelity Investment Services Ltd				
Mngd Pens P'folio	124.0	127.4	+0.40	1.45
Robert Fleming Asset Mngmt Ltd				
Am Exempt May 16	£394.75	397.49		1.96
Gen Exempt May 16	£125.78	128.45		3.63
Jap Exempt May 16	£660.82	673.35		0.70

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

هكذا من الأصل

حكمة امنة الأصل

FT UNIT TRUST INFORMATION SERVICE

	Bid Price	Offer Price	+ or -	Yield Gross

Equitilink International Mngt Ltd
First Aust Prime Inc Inv Co Ltd NAV May 19 C$12.05
First Aust Prime Inc Inv Co Ltd NAV May 19 US$10.22
NAV Diluted to reflect exercise of all Wrts C$11.96 US$10.06

Ermitage Group

Warburg Investment Management Jersey Ltd

NEL Britannia International Ltd
PO Box 119, St Peter Port, Guernsey 0481 25731

CL-Alexanders Rouse (Bermuda) Ltd

Capital House Investment Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Emperor Fund	$16.79	17.64	.....	0.18
Euro Global Inv Fd	$95.91	99.70	.....	0.50

Capital International

	Bid Price	Offer Price	+ or -	Yield Gross
Capital Int. Fund		$87.72	+0.05	-

Commodities Fund Administrators Ltd
Commodities Guaranteed Fund/USA NAV Apr 12 $10.65

NM Schroder Life Assurance Int Ltd

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

	Bid Price	Offer Price	+ or -	Yield Gross

The Charities Deposit Fund
2 Fore Street, London EC2Y 5AQ 01-588 1815

	Gross	Net	Gr Equiv CAR	Int Cr
Deposit	12.30	-	12.88	3-Mth

Gartmore Money Management Ltd
2-3 White Hart Yard, London SE1R 1NX 01-236 1425

	Gross	Net	Gr Equiv CAR	Int Cr
Call Fnd.	11.60	9.08	12.39	6-Mth
7-day Fund	11.82	9.25	12.62	6-Mth
Special Fund	11.83	-	12.49	Mth
Dollar	8.50	6.65	9.09	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr

AAB—Allied Arab Bank Ltd
97-101 Cannon St, London, EC4N 5AD 01-629 6802

	Gross	Net	Gr Equiv CAR	Int Cr
OMNA (£2,001+)	13.10	10.25	14.33	Mth
HICA (£2,001+)	12.50	9.78	13.64	Mth

Aitken Hume
30 City Road, EC1Y 2AY 01-638 6070

	Gross	Net	Gr Equiv CAR	Int Cr
Treasury Acc.	12.00	9.39	12.71	Qtr
Mth Int Chq £1000-£5000	11.75	9.19	12.94	Mth
Mth Int Chq £5,000+	12.00	9.39	12.81	Mth

Bank of Ireland High Interest Cheque Acc
36 Queen St, EC4R 1BN 01-625 7000

	Gross	Net	Gr Equiv CAR	Int Cr
2,000-9,999	11.726	9.176	12.662	Qtr
£10,000+	12.052	9.431	13.026	Qtr

Bank of Scotland
38 Threadneedle St, EC2P 2EH. 01 601 6746

	Gross	Net	Gr Equiv CAR	Int Cr
Money Mkt Cheque Acc	11.75	9.19	12.79	Mth

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
26½	21⅝	Dana Corp. $1	26½	+⅛	$1.60	–	3.6
11¾	854p	Data General	11⅝	+½	–	–	–
34¼	28⅞	Dun & Bradstreet $1	34¼	+¼	$2.00	–	3.4
39	30½	Eaton Corpn. 50c	39xd	+1½	b$2.00	–	3.0
11⅛	8⅞	Echlin Inc.	11⅛xd	+⅛	70c	–	3.6
19½	16⅞	FPL Group 1c	19½xd	+½	$2.20	–	6.4
32⅛	27⅞	Ford Motor $1	31½	+½	$3.00	–	5.6
38½	30⅞	GATX 62½c	38½	+1	$2.00	–	3.0
34½	24¼	Gen. Elect. 63c	34½xd	+1⅛	$1.64	–	2.8
567p	484p	♥General Host Corp $1	532p	+15	28c	–	3.1
25¼	18¼	Gillette $1	25¼	+⅛	96c	–	2.2
834p	616p	Gt. Am First Sngs Bk $1	834p	+23	60c	–	4.2
20½	16⅞	Greyhound $1½	20½	+⅛	$1.32	–	3.7
11⅜	847p	Hasbro Inc 50c	11⅜	+⅛	16c	–	0.8
8½	6	Home Group $1	8¼xd	+⅛	20c	–	1.4
47½	32⅞	Honeywell $1½	47½	+½	$2.10	–	2.6
18⅞	15¼	Houston Inds. ‖	18⅞	+⅛	$2.96	–	9.2
74⅝	63⅞	IBM Corpn $1¼	70½xd	+1½	$4.84	–	4.0
52p	45p	♥Image Storage/R.Sys 1c	47p	..	–	–	–
26½	18¼	Ingersoll–Rand $2	26½xd	+½	$1.04	–	2.3
30⅛	22½	Lockheed Crpn. $1	30⅛xd	+⅛	$1.60	–	3.1
18⅝	15⅞	Lone Star Inds $1	18⅝xd	+¼	$1.90	–	6.0
23	17½	Louisiana Land 15c	23xd	+¼	$1.00	–	2.5
16	11½	Lowe's 50c	16	+¼	48c	–	1.8
21½	15⅞	Manuf. Hanover $1	21½	+⅞	$3.28	–	8.7
18¼	13⅞	Merrill Lynch $1	18¼	+⅛	$1.00	–	3.1
2253p	1910p	Molex Inc.	2130p	+47	3.2c	–	–
24¼	18⅛	Morgan (JP) $2½	24¼xd	+½	$1.66	–	4.0
49	36¼	NYNEX $1	49	+2⅛	$4.36	–	5.2
22⅞	18¼	PHH Corp. ‖	22⅞	+½	$1.12	–	2.9
253p	220p	♥Pacific Agr ‖	253p	..	–	–	–
24½	19	Pacificorp $3¼	24½	+1	$2.76	–	6.6
26⅛	16⅞	Pacific Telesis 10c	26⅛	+1	$1.88	–	4.2
20¾	15¼	Pall Corp. 25c	20¾	+⅞	48c	–	1.4
51⅞	39⅞	Pennzoil 83 1/3c	51⅞xd	+1¼	$3.00	–	3.4
24¼	17⅛	Premark Intl	24¼	+1⅛	60c	–	1.4
37⅞	28⅞	Quaker Oats $5	37⅞xd	+1⅛	$1.20	–	1.9
27⅞	23½	Rep NY Corpn $5	27¼	+⅞	$1.28	–	2.7
13½	11½	Rockwell Intl. $1	13½xd	+⅛	72c	–	3.0
33⅞	21⅞	Southwestern Bell $1	33⅞	+1¼	$2.60	–	4.5
24½	17⅞	Sun Co. Inc. $1	24½xd	+½	$1.80	–	4.2
28⅞	22½	TRW Inc. 62½c	28⅞xd	+1	$1.72	–	3.5
20⅛	14⅛	TW Services $5	20⅛	+⅛	10c	–	0.3
34½	26¼	Tenneco $5	34½	+½	$3.04	–	5.1
34¼	28	Texaco $6.25	34¼xd	+⅛	♦$3.00	–	5.1
27½	21⅞	Texas Instr. $1	27½xd	+¼	72c	–	1.5
78½	58⅝	Time Inc. $1	78½	+1⅞	$1.00	–	0.7
17⅝	15⅛	TRINOVA Corp.	17⅝xd	+⅛	s64c	–	2.1
21½	16	USX $1	21½xd	+⅞	$1.40	–	3.7
164p	126p	♥Unitab	158p	+4	–	–	–
32¼	22¼	Utd. Technologies	32¼	+¼	$1.60	–	2.9
158p	128p	♥Utilitech Inc.	142p	..	–	–	–
43¾	31½	US West ‖	43¾	+1¼	$3.76	–	5.0
32⅛	22⅞	Waste Management $1	32⅛xd	+1⅛	48c	–	0.9
19	13½	Whirlpool $1	19	+1	$1.10	–	3.4
20¼	16⅞	Whitman Corp	20½xd	+⅞	96c	–	2.7
32⅞	28⅛	♥Woolworth $3½	32⅞	+⅛	$1.64	–	2.9

CANADIANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
157p	129p	♥ABM Gold Corp ‖	140p	+4	–	–	–
23⅝p	4½p	♥Abbot Energy Corp.	16p	+4	–	–	–
13¼	902p	♥Amer. Barrick Res.	13	+½	–	–	–
3¼p	2¼p	♥Amer. Lightwave ‖	2½p	..	–	–	–
19⅝p	12¼p	♥Armtens	13⅞p	–⅛	–	–	–
326p	94p	♥Asiamerica Hldgs ‖	326p	+1	–	–	–
33¼p	15p	♥Augmitto Expln.	15p	–4¼	–	–	–
16½	12⅞	Bk. Montreal ‖	16½	+⅛	$2.12	–	6.5
938p	655p	Bk. Nova Scot. ‖	938p	+30	84c	–	4.5
20¼	17	BCE ‖	20¼	+⅛	$2.44	–	6.1
839p	570p	♥Bow Valley ‖	839p	+22	♦40c	–	2.4

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

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INSURANCES—Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING—Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES—Contd

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ß Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... y	100	-1
Craig & Rose £1.. y	720	......
Finlay Pkg 5p.... y	88xd	+½
Holt (Jos) 25p..... y	1313	+18

IRISH

Cap 8½% Ln 1991..	£98	......
9pc Cap Ln 1996..	£97¼	......
Fin. 13% 97/02...	£118	......
Arnotts	444½xd	-7½
Carroll (P J)....... y	155	+4
Hall (R. & H.)	157	+2
Heiton Hldgs...... y	78	+2
Irish Ropes..........	195xd	......
United Drug.........	140	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property	
Brit Land	38
Land Securities	52
MEPC	50

Oils	
Brit Petroleum	21
Do. Int. Certs	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines	
Cons Gold	100
Lonrho	38
RTZ	40

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Intervention fails to halt dollar

INTERVENTION BY central banks was again unsuccessful in controlling the dollar's rise in currency markets yesterday. The Bank of Japan sold an estimated $2bn in five separate rounds of intervention in Tokyo, while the Bank of England and the Reserve Bank of Australia were active in London in the morning. In the afternoon the US Federal Reserve intervened three times and was joined by the Bank of England again, and six other European banks in co-ordinated dollar sales.

Despite all this, the dollar still finished towards its best level of the day and up sharply from Friday. It broke through the psychologically important DM2.00 level in early European trading - the first time this level has been breached since December 1986. It also moved above Y140.0 for the first time since October 1987.

Strong investor demand encouraged speculators to open additional positions, and this led to a rash of stop-loss buying. The dollar touched highs of DM2.0165 and Y142.85.

However, there was no intervention by the West German Bundesbank. Mr Karl Otto Pöhl, the Bundesbank president, was quoted in a French newspaper article as saying that he did not believe currency market intervention was efficient at holding down the dollar.

The speed of the dollar's rise - at one point it was up nearly 2½ per cent from Friday's close against the D-Mark - gave rise to speculation that the Bundesbank might be holding an emergency meeting of its central council, and that the Bank of Japan was about to increase its discount rate. However, outside the market, there was little evidence that either move was imminent.

The dollar closed at DM2.0095 against DM1.9695 and Y142.05 compared with Y138.75. Elsewhere, it finished at SFr1.7930 from SFr1.7575 and FFr6.8025 from FFr6.6700. On Bank of England figures, the dollar's exchange rate index rose from 71.1 to 72.4.

Sterling fell sharply against the dollar and also lost ground against the D-Mark and other EMS currencies. Its exchange rate index fell to 93.7 from 94.0 at the opening and 94.5 on Friday.

Investors are concerned that UK trade figures for April - due on Thursday - will show a sharp deterioration from the £1.7bn shortfall in March, as companies build up stocks ahead of a possible docks strike in Britain.

The pound fell to $1.5805, its lowest level since August 1987, and down from $1.6190 on Friday. It was also weaker against the D-Mark at DM3.1775 from DM3.1875 and Y224.50 from Y224.75. Elsewhere, it slipped to SFr2.8350 from SFr2.8450 and FFr10.7525 from FFr10.7975.

The Australian dollar fared badly against the US dollar, breaking through support at 76 US cents to close in Sydney at 74.60. The weaker tone was continued in London where by mid-morning it had fallen to 73.90, its lowest level since April last year. It recovered slightly to close at 74.20.

£ IN NEW YORK

May 22	Latest	Previous Close
£ Spot	1.5805-1.5815	1.6125-1.6135
1 month	0.43-0.42pm	0.39-0.36pm
3 months	1.37-1.35pm	1.23-1.18pm
12 months	5.10-5.00pm	4.55-4.40pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May 22	Previous
8.30 am	94.0	94.5
9.00 am	93.9	94.5
10.00 am	93.7	94.5
11.00 am	93.6	94.5
Noon	93.6	94.4
1.00 pm	93.6	94.5
2.00 pm	93.7	94.5
3.00 pm	93.8	94.5
4.00 pm	93.7	94.5

CURRENCY RATES

May 22	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.777542	0.656256
U.S. Dollar	7	1.25783	1.03393
Canadian $	12.39	1.49820	1.23813
Austrian Sch	5	17.4184	14.6508
Belgian Franc	7.75	51.8352	43.5802
Danish Krone	7½	9.64315	8.10963
Deutsche Mark	4.50	2.47667	2.08234
Neth. Guilder	5.50	2.78987	2.34723
French Franc	9½	8.38029	7.04469
Italian Lira	13½	1804.45	1507.83
Japanese Yen	2½	174.209	147.232
Norway Krone	8	8.93311	7.48514
Spanish Peseta	-	154.826	130.017
Swedish Krona	9½	8.36520	6.99351
Swiss Franc	4.5	2.20875	1.86056
Greek Drach.	20½	N/A	176.461
Irish Punt	-	N/A	0.778269

*All SDR rates are for May.19

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes, average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for May.19.

OTHER CURRENCIES

[illegible]

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May.22	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5802	+2.64	+0.96	±1.5344
Danish Krone	7.85212	8.10963	+3.28	+1.60	±1.5404
German D-Mark	2.05853	2.08234	+1.16	-0.52	±1.0981
French Franc	6.90403	7.04469	+2.04	+0.36	±1.3674
Dutch Guilder	2.31943	2.34723	+1.20	-0.48	±1.5012
Irish Punt	0.768411	0.778269	+1.28	-0.40	±1.6684
Italian Lira	1483.58	1507.83	+1.63	+0.65	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

May.22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5760 - 1.5840	1.5800 - 1.5810	0.43-0.40cpm	3.15	1.36-1.31pm	3.38
Canada	1.8795 - 1.8925	1.8885 - 1.8895	0.07-0.01cpm	0.25	0.14-0.18pm	0.34
Netherlands	3.57¼ - 3.59	3.57½ - 3.58½	1¾-1½cpm	5.45	4¾-4½pm	5.17
Belgium	66.25 - 66.60	66.40 - 66.50	29-23cpm	3.23	78-68pm	3.86
Denmark	12.34¾ - 12.39½	12.36¼ - 12.37¼	4½-3⅞orepm	3.60	11½-10½pm	3.30
Ireland	1.1850 - 1.1930	1.1875 - 1.1885	0.40-0.35cpm	3.80	1.05-0.95pm	3.41
W. Germany	3.17 - 3.18½	3.17½ - 3.18	1¾-1½pfpm	6.14	4½-4¼pm	5.59
Portugal	260.20 - 262.50	261.40 - 262.40	27-77cdis	-2.38	57-186dis	-1.86
Spain	197.80 - 199.00	198.35 - 198.65	1-14cdis	-0.45	18-38dis	-0.56
Italy	2296½ - 2314½	2302½ - 2303½	3-1lirepm	0.55	8-4pm	0.90
Norway	11.39 - 11.45½	11.41½ - 11.42½	2-1⅛orepm	1.65	6-5⅛pm	1.77
France	10.73½ - 10.76¾	10.74¾ - 10.75¾	3¾-3½cpm	3.97	10⅝-10¼pm	3.75
Sweden	10.65¾ - 10.70¼	10.66¼ - 10.67¼	1½-1¼orepm	1.55	4½-4pm	1.15
Japan	223½ - 225	224 - 225	1⅝-1½ypm	8.35	4¾-4¼pm	7.57
Austria	22.20 - 22.40	22.33 - 22.36	11¼-10¼gropm	5.01	32¼-29⅝pm	5.04
Switzerland	2.83 - 2.84½	2.83 - 2.84	1⅜-1¼cpm	5.05	3¾-3½pm	6.34

Belgian rate is convertible francs. Financial franc 66.65-66.75. Six-month forward dollar 2.76-2.73cpm 12 months 5.05-4.95cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

May.22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5760 - 1.5840	1.5800 - 1.5810	0.43-0.40cpm	3.15	1.36-1.31pm	3.38
Ireland†	1.3270 - 1.3370	1.3315 - 1.3325	0.15-0.20cdis	-1.58	0.20-0.30dis	-0.75
Canada	1.1910 - 1.1975	1.1955 - 1.1965	0.26-0.30cdis	-2.81	0.72-0.78dis	-2.51
Netherlands	2.2445 - 2.2720	2.2645 - 2.2655	0.51-0.48cpm	2.62	1.13-1.08pm	1.95
Belgium	41.87 - 42.31	42.00 - 42.10	7.00-5.00cpm	1.71	15.00-10.00pm	1.19
Denmark	7.75½ - 7.85	7.82¼ - 7.82¾	0.75-0.50orepm	0.96	0.90-0.40pm	0.33
W. Germany	1.9925 - 2.0150	2.0090 - 2.0100	0.53-0.50pfpm	3.07	1.19-1.14pm	2.31
Portugal	165.95 - 166.20	165.70 - 165.80	55-85cdis	-5.06	170-240dis	-4.94
Spain	124.50 - 125.85	125.25 - 125.35	30-40cdis	-3.34	110-120dis	-3.66
Italy	1451 - 1464½	1456¾ - 1457¼	2.00-2.40liredis	-1.81	7.50-9.00dis	-2.26
Norway	7.18 - 7.25¼	7.22¼ - 7.22¾	0.55-0.80oredis	-1.12	2.00-2.30dis	-1.19
France	6.74¾ - 6.82¼	6.80 - 6.80½	0.60-0.50cpm	0.97	1.15-0.90pm	0.60
Sweden	6.70½ - 6.77¼	6.75 - 6.75½	0.79-0.94oredis	-1.54	2.55-2.80dis	-1.58
Japan	140.10 - 142.85	142.00 - 142.10	0.61-0.59ypm	5.05	1.57-1.54pm	4.36
Austria	14.02¾ - 14.17¼	14.15 - 14.15½	2.38-1.82gropm	1.87	7.55-5.95pm	1.98
Switzerland	1.7785 - 1.8020	1.7925 - 1.7935	0.29-0.26cpm	1.83	0.80-0.76pm	1.73

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 42.15-42.25.

EURO-CURRENCY INTEREST RATES

May.22	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	11⅞-11¾	12⅛-12	12¼-12⅛	13⅛-13	13¼-13⅛	13¼-13⅛
US Dollar	9¾-9⅝	9⅞-9¾	9⅞-9¾	9⅞-9¾	9½-9⅜	9½-9⅜
Can. Dollar	12⅜-12¼	12⅜-12¼	12⅛-12	12⅛-12	11⅞-11½	11½-11⅜
D. Guilder	6¾-6⅝	6¾-6⅝	7⅛-7	7⅜-7¼	7⅝-7½	7¾-7⅝
Sw. Franc	7⅛-7	7⅜-7⅛	7⅜-7¼	7⅜-7¼	7⅜-7¼	7⅝-7½
Deutschmark	6⅛-6	6⅜-6¼	6¾-6⅝	7⅛-7	7⅜-7¼	7½-7⅜

[illegible]

Long term Eurodollars: two years 9⅞-9¾ per cent; three years 9⅞-9¾ per cent; four years 9⅞-9¾ per cent; five years 9⅞-9¾ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Sterling prices lose ground

STERLING BASED futures fell quite sharply in the London Liffe market yesterday. Values were marked down in brisk trading as cash rates moved firmer in response to a weak pound.

The June short sterling price fell to 86.79 in the September contract, down from 87.16 at the opening and 87.28 on Friday. Volume was high, with over 29,000 lots changing hands in September, while the June contract recorded over 21,000 transactions.

West German bonds moved lower as the D-Mark weakened against the dollar. Fears of higher interest rates also encouraged investors to reduce their margin exposures, and the June bond slipped to 92.59 from 92.87 previously.

US Treasury bonds fared much better, gaining strength from the dollar's continued improvement. Demand for US-denominated paper is likely to continue even if interest rates are increased outside the US, according to market traders. Investment portfolios in the Far East and Europe are still thought to be underweight in dollars.

The June bond price rose to 93-01 from 92-11 at the start and 92-05 on Friday.

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE £/$ OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING; PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT; 7-10 YEAR 9% NOTIONAL GILT; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH EUROMARK; FT-SE 100 INDEX; POUND-$ (FOREIGN EXCHANGE); DM-STERLING

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%; U.S. TREASURY BILLS (IMM); SWISS FRANC (IMM); JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); THREE-MONTH EURODOLLAR (IMM); STANDARD & POORS 500 INDEX

[illegible]

Sep	0.5603	0.5612	0.5590	0.5707	Sep	327.15	329.40	326.10	327.35
Dec	0.5625	0.5640	0.5600	0.5738	Dec	331.30	333.60	330.40	331.65

BASE LENDING RATES

	%		%		%
ABN Bank	13	Clydesdale Bank	13	NatWestminster	13
Adam & Company	13	Comm.Bk.N.East	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Co-operative Bank	*13	Norwich Gen. Trust	13
Allied Irish Bank	13	Coutts & Co	13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Cyprus Popular Bk	13	Provincial Bank PLC	14
ANZ Banking Group	13	Dunbar Bank PLC	13	R. Raphael & Sons	13
Associates Cap Corp	12	Duncan Lawrie	13	Roxburghe G'rantee	13½
Authority Bank	13	Equatorial Bank plc	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Exeter Trust Ltd	13½	Royal Trust Bank	13
Bank of Baroda	13	Financial & Gen. Bank	13	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	First National Bank Plc.	14	Standard Chartered	13
Bank Hapoalim	13	● Robert Fleming & Co.	13	TSB	13
Bank Credit & Comm	13	Robert Fraser & Ptnrs.	13½	United Bk of Kuwait	13
Bank of Cyprus	13	Girobank	13	United Mizrahi Bank	13
Bank of Ireland	13	● Guinness Mahon	13	Unity Trust Bank Plc	13
Bank of India	13	HFC Bank plc	13	Western Trust	13
Bank of Scotland	13	● Hambros Bank	13	Westpac Bank Corp.	13
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Whiteaway Laidlaw	13½
Barclays Bank	13	● Hill Samuel	§13	Yorkshire Bank	13
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	§13.75		
Citibank NA	13	Mount Bnkg Corp.	13		
City Merchants Bank	13	Nat Bk. of Kuwait	13		

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EUROPEAN OPTIONS EXCHANGE

Series		Aug. 89 Vol	Aug. 89 Last	Nov. 89 Vol	Nov. 89 Last	Feb. 90 Vol	Feb. 90 Last	Stock
Gold C	$390	47	2.50	55	7.50 b	-	-	$360.10
Gold C	$400	59	1.80	4	6	-	-	$360.10
Gold P	$350	65	4.50	-	-	-	-	$360.10
Gold P	$360	90	7.50	305	9	-	-	$360.10
Gold P	$370	459	12.10	47	12.90 a	-	-	$360.10

[illegible]

TOTAL VOLUME IN CONTRACTS : 47,751

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

UK rates firmer

UK INTEREST rates moved higher yesterday against a gloomy background of rising inflation and wage costs, a weaker pound and apparently little prospect of an improvement in April trade figures over March. The key three-month interbank rate opened at 13-12⅞ per cent, against 12⅞-12¾ per cent on Friday, and moved up to close at a high of 13⅛-13 per cent.

UK clearing bank base lending rate 13 per cent from November 25

Longer term rates rose more than short-term rates, giving a sharper yield curve. This suggests that the market is even less confident about the prospects of a fall in base rates in the short to medium term.

The Bank of England forecast a surplus of around £350m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together with repayment of any late assistance draining £603m. In addition, banks brought forward balances £70m below target. These were more than offset by a fall in the note circulation of £500m and Exchequer transactions which added £520m.

The forecast was revised to a surplus of around £100m, and the Bank did not intervene in the morning. In the afternoon, it sold £90m of Treasury bills at 11⅝ per cent, maturing on May 23.

In Frankfurt, period rates moved firmer as the D-Mark fell sharply against the dollar. Three-month domestic money was quoted at around 7.25 per cent from 7.05 per cent on Friday. Short-term money was virtually unchanged at 6.20 per cent as commercial banks found little trouble picking up day-to-day money.

Commercial banks held an average DM58.9bn reserve holdings with the Bundesbank over the first 18 days of the month, considerably more than an expected monthly requirement of just over DM55bn.

In Rome, the Bank of Italy drained funds from the banking system through a reverse sale and repurchase scheme. The weighted average rate of discount on the L2 trillion (million million) of bills on offer fell to 11.75 per cent from 11.95 per cent, and all bills on offer were allotted. The maximum accepted rate slipped to 11.85 per cent from 12.25 per cent.

In Paris, the average discount rate on French 13-week Treasury bills rose to 8.41 per cent from 8.24 per cent when it sold FFr8.01bn of bills. Applications totalled FFr8.9bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. May.22) 3 months US dollars | 6 months US Dollars

[illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

[illegible]

LONDON MONEY RATES

May.22	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]					

[illegible]

JOTTER PAD

CROSSWORD

No.6,941 Set by MUTT

ACROSS

1 Spiritied chastisement (8)
5 How old was poor Mosley? (6)
9 Taking heartless look back in alcove produces rash (8)
10 First person to show offensiveness on the platform (6)
11 Pious act slipping: getting peevish (8)
12 Leapt up with a little gasp - ran galumphing (6)
14 Keep firm grip (10)
18 Boisterous BA's en route for southern resort (8)
22 Everyone in drag appears fat (6)
23 Old loft I discovered to be illuminated (8)
24 Withheld consent to examine the dictionary (6)
25 I ache, not badly, having only begun (8)
26 Trimmer needs a pound to start the book (6)
27 With teeth on edge, not standing for the bishop's intervention (8)

DOWN

1 Trim the tree? (6)
2 Believe to have been turned back from indiscreet peccadillo (6)
3 Monstrous pike swallowed the Spanish water-sprite (6)
4 It's a rum nut that develops into a plant (10)
6 Arrest the attendant for inactivity (8)
7 One causes a stir when one can crochet in silver and gold (8)
8 Not fully qualified Olympians? (4-4)
13 What comes over one at bed-time? (10)
15 Five last out the celebration (8)
16 I'd go round, therefore, being dead lonely (8)
17 Antiquated fish: model held in honour (8)
19 Drat! - there'll be trouble (6)
20 Easily influenced by one in the factory (6)
21 Listen - be there! (6)

Solution to Puzzle No.6,940

MARITIME OBLATE; COVENTRY LADING; IRATE LOCKSMITH; BIRTHS SPANIEL; ALGERIA NODOFF; ADVANCING YEARS; CIRCUS STANDING; SEESAW PEASANTS

هكذا من الأصل

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices May 19

MONTREAL
Closing prices May 19

5580 BombrdrA	$12⅜	12⅛	12⅜	+ ⅛
29252 BombrdrB	$12½	12¼	12¼	
7700 CB Pak	$18¼	18⅛	18¼	− ⅛
35141 Cascades	$08¼	08¼	08¼	+ ½
34528 DomTxtA	$14⅛	14¼	14⅜	+ ⅛
5425 Memotec	$10⅜	10¼	10¼	− ⅛
86704 NatBk Cda	$14⅛	13⅞	14	− ⅛
8832 Noverco	$12¼	12	12¼	+ ⅛
162895 Power Corp	$16⅛	16	16⅛	− ⅛
18587 Provigo	$09¼	09¼	09¼	
8375 SteinbrgA	$38½	38½	38½	
25656 Videotron	$18⅛	18⅛	18¼	

Total Sales 4,558,499 shares.

INDICES

NEW YORK DOW JONES

	May 19	May 18	May 17	May 16	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2501.10	2470.12	2462.43	2453.45	2501.10 (19/5)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	90.19	89.95	89.64	89.50	90.19 (19/5)	87.35 (23/3)	–	–
Transport	1156.37	1141.82	1140.69	1139.07	1156.37 (19/5)	959.95 (3/1)	1144.08 (27/4/89)	12.32 (8/7/32)
Utilities	200.51	199.21	198.44	196.60	200.51 (19/5)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2509.35 (2482.77) Low 2468.29 (2448.86)

STANDARD AND POOR'S	May 19	May 18	May 17	May 16	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	321.24	317.97	317.48	315.28	321.24 (19/5)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	368.76	365.47	364.90	362.52	368.76 (19/5)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	29.81	29.41	29.41	29.22	29.81 (19/5)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	178.92	177.29	176.98	175.92	178.92 (19/5)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	353.83	352.58	351.84	349.92	353.83 (19/5)	305.24 (3/1)	366.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	442.05	439.81	438.52	435.66	442.05 (19/5)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	May 12	May 5	Apr 28	year ago (approx.)
Dow Industrial Div. Yield	3.43	3.51	3.45	3.60
	May 17	May 10	May 3	year ago (approx.)
S & P Industrial div. yield	3.04	3.12	3.08	2.94
S & P Indl. P/E ratio	13.42	13.54	13.64	15.35

TRADING ACTIVITY † Volume Millions

	May 19	May 18	May 17
New York	211.311	178.223	192.783
Amex	13.763	12.914	12.806
OTC	181.958	163.451	169.987

NEW YORK	May 19	May 18	May 17
Issues Traded	1,990	1,978	1,971
Rises	1,015	831	958
Falls	519	630	505
Unchanged	456	517	508
New Highs	230	159	197
New Lows	12	19	19

CANADA

TORONTO	May 19	May 18	May 17	May 16	1989 High	1989 Low
Metals & Minerals	3429.9	3447.7	4346.1	3458.3	3564.9 (6/2)	3207.5 (3/1)
Composite	3686.8	3675.4	3669.5	3658.7	3696.1 (8/2)	3350.5 (6/1)
MONTREAL Portfolio	1901.24	1898.01	1889.95	1884.47	1901.24 (19/5)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Gen Electric	4,922,900	53⅞	+ ⅝	IBM	2,866,300	111⅛	− ⅞
Avon Prod	4,811,100	32¼	− ⅜	Gen Motors	2,727,600	42¼	+ ½
AT&T	4,658,800	35⅜	+ ¼	Sears Roebuck	2,501,700	47½	+ ⅝
Eastman Kodak	3,484,000	44⅛	− ⅛	Coca Cola	2,385,800	59¼	+ 1
Exxon	3,115,900	43⅞	+ ⅝	Amer Expr	2,296,200	33⅝	+ ⅛

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 22	May 19	May 18	May 17	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1580.2	1562.9	1560.8	1561.6	1580.2 (22/5)	1412.9 (7/4)
All Mining (1/1/80)	702.1	697.9	698.4	697.2	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	304.09	308.30	315.13	317.86	320.48 (12/5)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6081.92	6079.02	6076.32	6068.09	6081.92 (22/5)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	307.69	307.61	309.18	310.64 (16/5)	275.49 (27/2)
FINLAND						
Unitas General (1975)	798.7	803.8	799.7	799.1	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	464.5	460.3	458.5	461.1	470.4 (24/4)	417.9 (4/1)
Ind. Tendance (30/12/88)	109.2	108.9	108.2	108.6	111.3 (24/4)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	576.39	568.12	566.96	563.41	585.28 (13/4)	535.78 (27/2)
Commerzbank (1/12/53)	1684.6	1687.0	1682.2	1671.2	1741.9 (13/4)	1595.7 (27/2)
DAX (30/12/87)	1345.10	1350.41	1343.98	1345.64	1394.62 (17/4)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2806.57	3145.63	3277.66	3246.41	3309.64 (15/5)	2706.69 (3/1)
ITALY						
Banca Com. Ital. (1972)	603.37	601.78	603.78	607.01	620.30 (24/4)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)†	34067.86	34001.96	33856.33	33992.4	34135.24 (8/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2519.46	2518.15	2509.72	2523.45	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl. Rtn. Gen. (End 1983)	241.5	240.4	239.4	237.3	241.5 (22/5)	208.3 (3/1)
CBS All Shr (End 1983)	188.3	187.4	186.8	185.2	190.6 (27/4)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	659.56	650.00	645.21	(c)	665.61 (19/4)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1292.74	(c)	1309.71	1310.02	1310.02 (17/5)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	(u)	(u)	1431.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	(u)	(u)	(u)	2473.0	2581.0 (28/4)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	310.24	306.24	305.44	303.99	310.24 (22/5)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4046.8	4002.6	3971.7	3950.4	4046.8 (22/5)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	674.1	672.3	670.1	669.3	686.0 (28/4)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	510.9	506.9	507.8	519.0 (17/2)	491.2 (28/3)

‡ Subject to official recalculation. † Corrected figure for May 19 of 34001.96.

Base values of all Indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday 22 May 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toshiba	37.0m	1,380	+10	Japan Line	10.2m	203	+3
Melco	28.6m	1,200	+20	Nippon Steel	9.9m	898	-14
Hitachi	25.6m	1,730	+50	Matsushita	9.9m	2,450	+70
Topy	18.9m	1,120	+90	Sanyo Electric	9.1m	968	+11
Fuji Film	10.3m	3,940	+210	Sharp	8.1m	1,410	+20

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

3pm prices May 22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
31	21¼	AAR	.44	1.4	21	684	u31½	30¾	31¼	+ ⅜
10⅛	8⅞	ACM n	1.01	11.		135	9	8⅞	9	+ ⅛
11⅞	10¼	ACMIn	1.26a	12.		352	10⅞	10¾	10¾	
10⅛	8½	ACM M n	1.01	11.		374	9⅛	9	9	− ⅛
11½	10⅛	ACM Sc	1.26	12.		x976	10⅞	10¾	10¾	
10	8⅜	ACMSp	1.01	11.		492	9	8⅞	9	
4⅜	2⅜	AMCA	.12e	2.9	26	142	4⅛	4	4⅛	
6⅛	3½	AM Intl				1789	6	5⅞	6	+ ⅛
23½	18⅛	AM In pf	2	8.7		50	23	22⅞	23	+ ⅛
65⅞	39	AMR			8	3831	65½	63½	63⅞	−1⅛
9½	3¾	ARX				47	4	3⅞	4	+ ⅛
47	35⅛	ASA	3a	7.6		571	39¾	39⅛	39½	− ⅜
21⅝	14¼	AVX	.24	1.1	10	297	u21⅞	21½	21¼	+ ⅛
60⅞	43	AbtLab	1.40	2.4	17	6349	59¾	58¼	59½	+ ½
18	15⅛	Abitibi g	1			108	16⅞	16⅝	16⅞	
12	7½	AcmeC	.40	3.8		24	10¾	10⅝	10⅝	− ⅛
8	5⅞	AcmeE	.32	4.1	18	53	8	7⅞	7⅞	
34⅝	20¼	Acuson			26	463	34¼	33⅝	33⅝	− ⅞
16⅞	14¼	AdaEx	1.82e	12.		334	15½	15¼	15⅜	+ ⅛
16⅞	7⅛	AMD				1563	9⅞	9⅛	9¼	− ⅛
9½	6½	Adobe				278	9⅛	9	9⅛	+ ⅛
19¼	16½	Adob pf	1.84	10.		9	18	17⅞	18	+ ¼
21⅝	19⅞	Adob pf	2.40	12.		210	20½	20⅜	20½	
9¼	5⅞	Advest	.12	1.6	18	39	7⅜	7¼	7⅜	
54⅞	40½	AetnLf	2.76	5.1	9	833	54⅛	53⅝	53¾	− ⅛
49	24	AhmPb s	.22	.5		1186	48	47⅝	47⅝	− ⅜

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Continued on Page 53

هكذا اصبح الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19⅛	14½	ROC n				1271	19	18¾	19	+¼
7⅞	5	RPC			22	65	7½	7¼	7⅜	+⅛
7½	5½	RPS n	.19e	3.1		172	6⅛	6	6⅛	
76¾	29½	Racal n				1981	73⅞	72½	72½	−2½
13-16	5-16	vjRadce				125	½	7-16	15-32	−1-32
88⅞	70½	RalsPur	1.65	1.9	13	517	87⅞	87⅛	87½	+¼
12½	6¼	Ramad				2753	12⅛	11⅞	12	+⅛
6½	4⅞	RangrO			50	310	5⅝	5½	5½	−⅛
54	30¾	Rayom	.32	.9	18	1525	34⅞	34½	34⅝	
15	9	RJamF	.20	1.3	9	21	15	14⅞	15	
21½	18	Rayonr	2.80	13.	6	126	20¼	19⅞	20	−⅛
6¼	½	vjRaytc				7	1⅛	1⅛	1⅛	
73⅞	61	Raythn	2.20	3.1	10	1458	71⅝	71⅛	71½	+⅜
1½	½	ReadBt				77	¾	11-16	¾	
3⅝	1⅞	RdBt pfA				2	3	3	3	−⅛
17⅝	15¼	REIT	1.38	8.4	16	26	16½	16⅛	16½	+⅜
16½	13½	RltRef	1.72	12.	9	5	15	14⅞	14⅞	
12⅛	6½	ReonEq			25	271	7⅞	7½	7⅝	+⅛
17⅛	8½	Reebok	.30	2.2	11	1716	13⅝	13	13½	−⅛
16	11	Reece	.15e	1.0	18	6	14⅝	14⅝	14⅝	−⅛
½	7-64	Regal				167	¼	7-32	7-32	
7½	5¾	RegIFn	.24e	3.3		97	7⅛	7¼	7¼	
16	12½	ReichTg	1.76	13.	9	21	13½	13¼	13½	+⅛
6⅛	4¾	RelGrp	.32	6.6	18	128	4⅞	4¾	4⅞	
18⅛	16⅞	Repsol n				6604	17⅛	d16⅝	17	−⅛
6⅞	4¼	RepGyp	.20	4.0	21	3	5	4⅞	5	+⅛
48⅛	39¾	RepNY	1.28	2.9	9	269	44¾	44⅛	44⅛	+⅝
24⅞	14½	Rxene n	.60	4.2	3	2894	14¾	d14	14½	−¼
33⅞	17	ReyRey	.76	2.3	12	138	32⅞	32½	32⅞	+⅛
62¾	41⅛	ReyMt	1.60	2.8	8	2707	57⅞	55	56½	−¾
39	28⅛	RiteAid	.82	2.3	15	1031	35¼	34⅞	35	−¼
1	⅛	RvrOak				1	9-32	9-32	9-32	
14⅞	8⅝	Robtsn				34	10½	10¼	10¼	−⅛
28⅝	21⅞	vjRobins			11	66	27⅞	27⅝	27¾	
19	16½	RochG	1.50	7.9	9	318	19	18¾	19	
60¼	44¼	RochTl	2.84	4.1	16	164	u69⅝	68⅝	69	
20⅝	18½	RckCtr	1.84	9.7	17	278	19	18⅝	18⅞	
23½	18	Rockwl	.76	3.5	7	4582	22⅛	22	22⅛	+¼
37½	30	RoHaas	1.12	3.2	10	403	34⅞	34⅜	34⅝	+⅛
37⅞	24⅝	Rohr			16	679	32⅞	31¾	31¾	−¾
17⅞	8	RollnE s	.06	.7	34	1780	11⅞	11⅝	11⅞	
19⅝	16¾	Rollins	.64	2.8	18	56	19½	18⅞	19¾	
[illegible]										

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices May 22

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
PrcsCm	.08e	1	342	7⅛	7⅛	7⅛	+⅛
Prism		11	74	2⅝	2½	2½	−⅛
ProMed	.42	10	11	3⅞	3¾	3¾	
ProfCre		12	800u	5½	5⅛	5½	+½
— R—R —							
RBW		17	44	8⅛	8⅛	8⅛	
Ragan	.12		5	23⅝	23⅝	23⅝	+⅛
ReCap		11	11	11	11	11	−⅛
Riedel		20	40	13⅞	13½	13⅞	+⅛
Rogers	.12	180	48	22⅞	22⅝	22⅞	−⅛
Rudick	.40	12	10	23	23	23	−⅛
— S—S —							
SJW	1.82	12	4	26½	26½	26½	+⅛
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2pm prices May 22

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
[illegible]							
Worthg	.48	14	1181	21⅞	21½	21⅞	+⅛
Wyman	.80	65	245	17½	17¼	17½	
— X—Y—Z —							
XL Dta s		18	765	21⅜	20⅝	21⅜	+⅜
XOMA			2852	u18	17¼	17⅜	+⅛
Xicor		10	606	8	7⅝	7⅞	
YellowF	.70	11	476	28⅞	28½	28¾	+⅛
ZionUt	1.44		2	25	24¾	24¾	
Zycad			446	4⅛	4	4⅛	

AMERICA

Profit-taking reduces Dow gains

Wall Street

AFTER an initial surge that took the Dow Jones Industrial Average above 2,515, up 14 points, profit-taking set in, sending New York equities lower by midsession yesterday, *writes Karen Zagor in New York.*

At 2 pm the Dow Jones Industrial Average was down 3.85 points at 2,497.25 in heavy trading. By 1 pm more than 120m shares had changed hands.

The downturn came in spite of the continuing fall in interest rates as the debt market rose sharply on the heels of a soaring dollar. At midday the treasury's bellwether 30-year long bond was up 1¼ points to 102⅜, yielding 8.60 per cent, its lowest level since March of last year.

Throughout the morning the dollar traded above Y140 and DM2 – two psychologically important levels. At midday the dollar had risen to about Y142.00 and DM2.0090 from Y138.93 and DM1.9765 late on Friday.

There was no sign of the US currency weakening in spite of concerted central bank intervention. Only the West Berman Bundesbank, among the main central banks, was not involved in buying dollar.

The Federal Reserve arranged three-day matched sales yesterday to drain reserves from the banking system, when the Fed Funds rate was at 9½ per cent.

American Telephone & Telegraph, the big US telecommunications company, was the most active issue on the New York *Stock Exchange with* more than 1.56m shares changing hands by midday. Earlier, AT&T's largest union, the Communications Workers of America, voted to strike if a new contract agreement was not reached by Saturday. The company's stock price was unchanged at $35⅝.

Transco Exploration, an oil and gas exploration company, jumped $3⅝ to $9⅝ on the news of the sale of Gulf of Mexico gas oil properties to Amerada Hess for $911m. Amerada Hess dropped $1⅞ to $37¼.

Holly Farms leapt $4¼ to $66⅝ after its board agreed to a sweetened stock swap worth $74.81 a share from ConAgra. Tyson Foods, which has been battling ConAgra for Holly Farms for eight months, extended its offer of $63.50 a share while it tries to block the ConAgra offer in court. ConAgra fell $1⅛ to $33⅜, while Tyson's shares rose $⅝ to $18⅝.

Warner Communications, the large US entertainment group, rose $⅜ to $51 after announcing a settlement of its dispute with Chris-Craft Industries. Warner said the settlement would allow the proposed merger with Time Inc to proceed without any delay or adjustment to the merger exchange ratio, which is 0.465 shares of Time stock distributed for each Warner share. Shares in Chris-Craft rose $1⅞ to $38 on the news. Time Life stock fell $⅞ to $123⅞.

Circle K, a convenience food store group, added $1⅛ to $14⅞, after it put itself up for sale. The company also said it expected a fourth quarter loss for the year ended April 30 against a net gain a year ago.

Texas Air, the parent company of Eastern Airlines, was unchanged at $13⅞ after a Federal bankruptcy judge granted America West Airlines another day to sort out questions about its bid for Eastern's Northeast shuttle service.

McDermott International, an off-shore gas and oil contruction company, added $⅝ to $20⅝ after Shearson Lehman Hutton added the stock to its list of recommended shares. Salomon Brothers also reiterated its buy recommendation.

Synergen, a company which develops biological products, was up $⅞ at $8⅞ after signing an agreement with Hoffmann-La Roche for a joint research project on the newly-discovered human protein, called Interleukin-1 inhibitor.

Canada was closed for Victoria Day.

Hong Kong plummets 11 per cent

By John Elliott in Hong Kong

HONG KONG'S stock market plummeted by almost 11 per cent yesterday in its largest daily fall since the global crash, in the face of continued uncertainty in Peking and the risk of a harsh army clampdown which led to massive weekend demonstrations in the British colony.

The local Hang Seng index fell 339.06 to 2,806.57, taking the market's loss in the past two sessions to 14.4 per cent; on Friday the index plunged 132.03. Brokers said it would have gone even lower yesterday had the market not closed at its regular time of 4 pm.

The heavy selling sent volumes soaring to a post-crash record worth HK$3bn, pipping the HK$2.93bn seen on January 30.

More selling is expected today, with brokers forecasting that the Hang Seng index could drop to 2,650 or maybe even 2,500. These are the sorts of levels at which the market was trading in the first half of last year when it was beginning to recover from the shock of the 1987 crash.

Mr Frances Yuen, chief executive of the exchange, last night rejected suggestions of panic selling and ruled out any idea of the exchange closing, as happened in the 1987 crash. "We will try to maintain systematic and orderly trading," he said – the volatility should be a short-term phenomenon.

Analysts, however, do not expect any rapid improvement in the market, even if the news from Peking improves. "Good news would still leave a lot of uncertainty and volatility because people have had such a shock," said Mr Richard Witts, managing director of Schroders Securities (Hong Kong). "Things won't pick up till China settles down."

The main factor affecting trading today will be the news from Peking, but another key influence will be decisions taken overnight by US investors. A spate of early selling from the US could lead to greater falls than might otherwise happen.

Yesterday's dive started the minute the stock exchange opened, with heavy local selling. The Hang Seng index plunged by 285.67 points to 2,859.96 in the first 13 minutes of trading. It fell further, taking the total to 350 points, and then levelled off to a net loss of 344.69 in the first hour.

There was some bargain-hunting around midday but by the lunchtime close the index was off 357.4. Later there was heavy selling from Europe and the market finished with its biggest fall since October 26, 1987, when it dropped by more than 30 per cent.

SOUTH AFRICA

JOHANNESBURG stocks closed broadly lower, extending last week's losses in nervous selling. Gold shares led the retreat as the bullion price was forced down to $360 by the dollar. Vaal Reefs ended down R7.50 at R274.50, but above an earlier R272.

EUROPE

Worry over high dollar leaves bourses mixed

THE STRONG dollar lay behind the uneasy tone around Europe yesterday, and bourses ended mixed, *writes Our Markets Staff.*

FRANKFURT began the week in worried mood. An unsubstantiated rumour that the Bundesbank was planning an emergency meeting this week instilled nervousness, said one analyst, and the higher dollar reinforced fears of interest rate rises.

The DAX index eased 5.31 to 1,345.10 and the FAZ added 8.27 to 576.39 on volume of DM3.3bn worth of shares.

Car makers continued to benefit from the strong dollar as export prospects improved. Porsche gained DM16 to DM742 and BMW rose DM9 to DM512.

Retailers were hit by news that the shopworkers' union was seeking a ballot on strike action to protest at proposals for longer shop opening hours, currently before the Bundestag. The proposals, which are also opposed by the employers, suggest extending Thursday opening by two hours and cutting Saturday by one hour, said the analyst. Karstadt declined DM13 to DM525 and Kaufhof fell DM15.50 to DM464.

Veba eased DM3.70 to DM278 after saying its purchase of 46 per cent of paper company Feldmühle Nobel – down DM7.80 at DM342 – was a long-term diversification. The feeling was that the company could have diversified into something more attractive.

MILAN paid little heed to the fall of the Italian Government on Friday and shares rose slightly in quiet trading.

One analyst said that people regarded the situation as more of a clash of personalities between Prime Minister Ciriaco De Mita and Mr Bettino Craxi, the Socialist party leader, than a national crisis. "The political situation doesn't scare anyone any more," he explained, adding that the Prime Minister's resignation had hardly hit the headlines in Italy before being replaced by news of the Chinese unrest. No one was moved to sell their holdings by the domestic political events and the market was continuing at its own pace with a little buying interest.

Pirelli Spa, the tyre and cables group, which forecast a moderate profits rise this year, rose L45 to L3,150. The Comit index gained 1.59 to 603.27.

PARIS finished mixed on the penultimate trading day of the current monthly account, as the strength of the dollar kept the interest rate cloud hanging over the bourse.

The CAC 40 index picked up 4.17 to 1,678.98 and the OMF 50 index eased 0.29 to 480.91. Volumes were low, although individual stocks had a busy day, especially those seen as beneficiaries of the firm dollar.

Metaleurop rose FFr12 to FFr190. Zinc, one of its primary products, is priced in dollars, thus benefiting its balance sheet. Club Med, another dollar-sensitive stock, rose FFr7 to FFr631 on speculative and fundamental buying. Air Liquide climbed FFr27 to FFr629; the group has significant industrial gas sales in the US.

Générale des Eaux saw good fundamental purchasing, helped by a buy recommendation from a leading US house, and added FFr77 to FFr1,859.

ZURICH crept higher as interest rate and inflation worries maintained their grip, restricting the rise in the Crédit Suisse index to 2.1 points. It closed at 560.9, as short-term interest rates rose to 7.5 per cent for the first time in 10 years.

Insurance groups were well bid and, after the market closed, were cheered further by news that Zurich Insurance plans to allow foreigners to purchase its registered shares through a proposed bond issue with warrants. Further liberalisation could lie in store at the company's press conference on May 29, said one analyst.

Zurich Insurance bearers rose SFr55 to SFr4,830 and its registered shares found SFr40 to SFr3,900. Winterthur insurance bearers added SFr40 to SFr4,490 after the group's good results last week.

AMSTERDAM ended a lacklustre day generally firmer after share prices fell from their opening highs on anxieties about a strong dollar, and then recovered slightly as Wall Street opened higher.

Bond market weakness continued to depress stocks and trading was expected to remain thin this week, said one analyst. The CBS tendency index edged up 0.8 to 177.9.

Stad Rotterdam, the insurer, added Fl1 to Fl154 after reporting first quarter net profits slightly above expectations.

MADRID jumped 1.3 per cent in active trading, as foreigners stepped up their buying, helping to boost turnover to an estimated Pta20bn from Friday's Pta16bn. The general index rose 4.01 to 310.24.

BRUSSELS was mixed with a firmer bias, nudging the cash forward market index 2.9 to a record 6,081.92.

Investors remained keen to buy stocks on which dividend payments are imminent, but fears were mounting that the 10-day advance in such shares was about to be gnawed away by profit-taking.

STOCKHOLM rose to a fifth consecutive record in brisk trade, with strong foreign interest. The Affärsvärlden General index rose 9.5 to 1,174.2.

ASIA PACIFIC

Index-linked funds help to lift Nikkei as yen declines

Tokyo

THE YEN'S continued decline against the dollar meant the week began on a discouraging note for equities, but buying from index-linked funds brought in sufficient support to lift share prices moderately higher yesterday, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average managed to stay above the 34,000 level and closed up 65.90 at 34,067.86 after moving from a high of 34,124.06 to a low of 34,002.75. In spite of the advance by the index, declines outnumbered advances by 468 to 405 while 210 issues were unchanged.

Turnover fell to 608m shares against 626.7m traded on Friday. The Topix index of all listed shares added a modest 1.31 to 2,519.46 while the ISE/Nikkei index in London trading eased 1.94 to 2,028.15.

Investors remained cautious as they watched the dollar breach the Y140 level for the first time in 19 months. This had been widely considered to be a turning point that could determine whether the Bank of Japan decided to raise the official discount rate.

Nonetheless, many analysts said the dollar's surge did not depress the market to much as it was widely thought that the recent dollar-buying was mostly speculative and would not last long.

They expected a continuing surplus of institutional funds and other funds from quasi-public institutions, such as the post office and public pension funds, to support the market.

Many Japanese companies have reported record profits for the business year ending March 1989, encouraging investors in terms of fundamentals as well leading them to expect further strength for equities in the near future, if and when the currency market stabilises.

Yesterday's rise was influenced to a large extent by buying from index-linked investment trust funds. Interest focused on issues that have underperformed the market, especially small and medium capitalisation issues supported by strong business results.

Blue chips that could benefit from a strengthening of the dollar, such as export-oriented, high-technology companies attracted particular attention.

Six of the top 10 issues were electricals. Toshiba led with 37m shares, advancing Y30 to Y1,400 during the day but finishing Y10 up at Y1,380.

Mitsubishi Electric was second in volume terms with 28.6m shares and gained Y30 to Y1,210 during the day, closing Y20 higher at Y1,200. Hitachi followed with 25.6m shares and gained Y50 to Y1,730. Sony reached a new high for the year of Y7,600, up Y230, while Matsushita increased Y70 to Y2,550.

Fuji Photo Film was sought on the dollar's surge as an export-oriented, high-tech issue and rose Y210 to a new high for the year of Y3,940. Fuji was also popular for its low price earnings ratio.

In Osaka, the OSE average gained 61.91 to 33,149.62 as electricals and automobiles were selected while large volume steels were neglected.

Roundup

UNREST in Peking troubled Singapore, but Australia and Taiwan had strong sessions.

AUSTRALIA was encouraged by the weak local dollar and by Friday's gains in London and New York. The All Ordinaries index rose 17.3 to 1,580.2 in active turnover of 132m shares worth A$259m.

The lower Australian dollar stimulated strong foreign interest in certain issues. BHP gained 46 cents, or 5.4 per cent, to A$8.86, News Corp rose 65 cents, or 4.7 per cent, to A$14.25 and CRA picked up 24 cents, or 2.5 per cent, to A$9.48.

SINGAPORE went into decline as Hong Kong fund managers, worried by the unrest in China, sold heavily.

Mexico leaps into the limelight

By Jacqueline Moore

THE WORLD was a volatile place for equity investors last week. Changes over the previous week ranged from a surge of 13 per cent in Mexico to a slump of 6.84 per cent in South Africa in local currency terms, according to the FT-Actuaries World Indices.

There were changes of more than 2 per cent in 10 countries in all – and it was not only the smaller markets grabbing the attention. Leading exchanges had a good week, with the US and the UK both making significant gains.

The US continued to benefit from the previous week's lower-than-expected producer prices figures, and confidence was reinforced on Wednesday by news of a narrower trade deficit. The Dow Jones Industrial Average reached post-crash highs in three separate sessions.

The most impressive advance last week, however, was made by Mexico. Its leap followed the announcement at the beginning of the week of more liberal regulations concerning direct capital investment, designed to attract more foreigners, and the confirmation on Thursday of a $1.96bn loan from the World Bank.

South Africa moved doggedly in the opposite direction, as the strong dollar pushed the bullion price lower, knocking the country's influential gold shares.

Events in China had a depressing effect on Hong Kong. Initially encouraged by the student demonstrations, Hong Kong had reached a post-crash high on the Monday. However, as an army clampdown became more likely, confidence fled from the Hong Kong stock market and, on Friday, it suffered its worst daily fall since the crash, leaving it 4.2 per cent down on the week.

In Europe, it was the Scandinavians' week and their performance helped the Continent's index rise 1.5 per cent. Indices in Sweden and Norway both had a series of record peaks, encouraged mainly by good corporate results and the rises on Wall Street. Norway is still the world leader, rising 43.8 per cent so far in 1989.

The index for the world rose 1.05 per cent last week.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change in sterling †
	1 Week	4 Weeks	1 Year	Start of 1989	Start of 1989
Austria	-3.70	-0.60	+50.45	+32.60	+33.83
Belgium	+1.32	+1.78	+24.98	+7.16	+8.16
Denmark	-0.64	+3.31	+65.16	+14.56	+14.49
Finland	-0.93	-1.87	+18.51	+15.97	+23.32
France	+0.13	-0.72	+49.86	+9.90	+11.52
West Germany	+0.05	-1.56	+27.72	+2.70	+3.37
Ireland	+0.87	+2.05	+33.37	+19.95	+20.93
Italy	-0.69	-3.90	+23.64	-1.42	+0.24
Netherlands	+0.42	-0.99	+29.15	+12.55	+13.47
Norway	+2.69	-0.94	+79.59	+43.82	+48.50
Spain	+0.63	+2.51	+8.75	+9.19	+12.43
Sweden	+3.49	+5.64	+44.32	+18.98	+22.60
Switzerland	-0.46	-1.69	+13.31	+4.638	-0.05
UK	+3.15	+6.64	+24.17	+22.08	+12.97
EUROPE	+1.51	+2.52	+26.98	+13.53	+17.61
Australia	+2.23	+7.35	+10.14	+5.90	+5.78
Hong Kong	-4.17	+2.32	+34.68	+18.95	+33.26
Japan	-0.04	+4.12	+19.01	+6.50	+7.21
Malaysia	+1.11	+3.76	+45.82	+27.32	+43.47
New Zealand	-0.85	+0.71	+1.26	+6.97	+14.39
Singapore	+2.43	+6.27	+40.53	+29.35	+53.32
Canada	+1.51	+1.53	+14.32	+14.56	+22.87
USA	+2.42	+4.26	+26.96	+15.63	+29.20
Mexico	+13.08	+15.70	+43.70	+33.24	+38.53
South Africa	-6.84	-9.30	+41.56	+18.48	+28.07
WORLD INDEX	+1.05	+3.75	+23.10	+10.92	+28.34

† Based on Friday May 19th, 1989

 NB: Danish figures indicating changes since the start of the year have been recalculated due to a statistical error.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY MAY 19 1989						THURSDAY MAY 18 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (89)	136.78	+1.1	125.28	119.22	+0.2	4.72	135.26	123.90	119.02	157.12	128.28	127.33
Austria (19)	114.91	−1.7	105.23	117.52	−2.0	2.20	116.91	107.09	119.97	124.16	92.84	88.37
Belgium (63)	130.77	+0.3	119.75	133.35	+0.1	4.09	130.35	119.41	133.24	137.10	128.52	121.03
Canada (125)	138.05	+0.4	126.42	119.11	+0.4	3.32	137.43	125.89	118.68	138.05	124.67	115.80
Denmark (38)	174.58	+0.0	159.87	182.12	−0.1	1.84	174.53	159.87	182.24	181.03	165.35	124.83
Finland (26)	144.44	+0.4	132.27	132.59	−0.1	1.58	143.90	131.81	132.75	159.16	125.81	132.20
France (130)	114.82	+0.7	105.14	120.13	+1.0	3.13	114.01	104.43	118.92	122.79	112.57	88.88
West Germany (100)	81.37	+0.3	74.51	83.31	+0.4	2.42	81.13	74.31	82.94	90.40	80.92	73.67
Hong Kong (49)	133.34	−4.0	122.11	133.31	−3.9	4.05	138.92	127.26	138.78	140.33	111.80	98.65
Ireland (17)	142.62	+1.0	130.60	148.04	+0.7	2.84	141.15	129.30	147.00	151.38	125.00	125.66
Italy (98)	76.38	−0.7	69.94	81.85	−0.5	2.63	76.92	70.46	82.26	86.88	76.38	70.19
Japan (455)	183.74	+0.3	168.26	161.15	+0.4	0.47	183.17	167.79	160.53	200.11	180.30	171.58
Malaysia (36)	184.28	+0.1	168.74	190.61	+0.1	2.50	184.10	168.64	190.51	184.28	143.35	131.40
Mexico (13)	200.63	+4.4	183.73	539.30	+4.4	0.93	192.14	176.01	516.48	200.63	153.32	150.09
Netherland (42)	114.14	+0.5	104.53	115.63	+0.6	4.46	113.61	104.07	114.90	122.22	110.63	102.89
New Zealand (24)	69.20	+0.0	63.37	60.95	−0.9	6.01	69.19	63.38	61.51	76.02	68.84	78.57
Norway (26)	184.63	+0.7	169.08	178.05	+0.5	1.50	183.27	167.89	177.12	198.39	139.92	117.95
Singapore (26)	160.33	+0.1	146.82	144.96	+0.0	1.87	160.17	146.72	144.96	160.35	124.57	111.14
South Africa (60)	133.92	−0.1	122.64	116.39	−2.9	4.51	134.05	122.79	119.85	144.88	115.35	128.91
Spain (43)	149.31	+0.6	136.73	139.07	+0.5	3.59	148.39	135.93	138.44	156.17	143.14	150.23
Sweden (35)	158.65	+1.4	145.29	156.01	+1.4	2.20	156.53	143.38	153.92	162.00	138.45	123.35
Switzerland (57)	69.85	+0.3	63.96	76.10	+0.3	2.44	69.63	63.79	75.85	79.76	69.18	76.31
United Kingdom (314)	147.85	+1.3	135.39	135.39	+1.2	4.23	145.99	133.74	133.74	153.33	134.53	136.95
USA (558)	130.87	+1.0	119.85	130.87	+1.0	3.41	129.61	118.72	129.61	130.87	112.13	103.07
Europe (1008)	116.98	+0.8	107.12	114.13	+0.8	3.56	116.10	106.35	113.22	121.70	114.02	106.30
Nordic (125)	152.32	+0.7	139.48	146.81	+0.6	1.94	151.20	138.51	145.90	155.61	137.95	115.09
Pacific Basin (679)	179.69	+0.2	164.55	158.04	+0.3	0.69	179.26	164.21	157.60	194.72	176.37	167.01
Euro−Pacific (1687)	154.63	+0.4	141.60	140.52	+0.4	1.57	154.01	141.08	139.90	164.22	152.83	142.73
North America (683)	131.21	+0.9	120.16	130.14	+0.9	3.41	129.98	119.07	128.93	131.21	112.79	103.75
Europe Ex. UK (694)	98.01	+0.3	89.75	100.94	+0.4	2.99	97.68	89.48	100.50	105.29	97.36	87.34
Pacific Ex. Japan (224)	131.09	−0.9	120.05	118.88	−1.4	4.27	132.24	121.13	120.52	137.65	123.48	111.87
World Ex. US (1885)	153.87	+0.4	140.91	139.72	+0.4	1.65	153.26	140.39	139.15	162.77	152.04	141.66
World Ex. UK (2129)	144.32	+0.5	132.16	136.82	+0.5	2.02	143.57	131.51	136.10	146.04	138.06	125.80
World Ex. So. Af. (2383)	144.68	+0.6	132.49	136.81	+0.6	2.21	143.83	131.76	135.97	146.65	138.82	126.76
World Ex. Japan (1988)	126.02	+0.8	115.40	124.10	+0.8	3.51	125.02	114.53	123.18	126.02	114.51	105.27
The World Index (2443)	144.62	+0.6	132.43	136.67	+0.6	2.23	143.77	131.70	135.86	146.51	138.83	126.78

Latest prices were unavailable for this edition.